

Questions: Mitch Mac Donald, Group Editorial Director, DC Velocity

Answers: John White III, President, Fortna

MM: Hi, I'm Mitch Mac Donald, and welcome to this week's installment of DCV-TV's "Meet the Rainmakers." Today we're very happy to have with us John White, who's President of Fortna, with over 20 years of experience in supply chain strategy and planning, including supplier relationship management, sourcing and procurement, supply chain network strategy development, inventory management and change management, one of my favorites. John is also a graduate of the Georgia Institute of Technology and is a member of the Warehousing Education Research Council, Council of Supply Chain Management Professionals and the Georgia Tech Logistics Institute. John, welcome. Thanks very much for taking the time to join us.

JW: Thanks a lot.

JM: One of the comments that I've heard you make in the past that intrigues me... I'd like to start with it. You've talked about e-commerce fundamentally changing customer expectations. Most interestingly, even for those companies that are not involved in e-commerce. Could you expand a little on what you mean when you say that?

JW: Absolutely. I think it's a very exciting time in supply chain, as you see a convergence of what we're experiencing personally as consumers, and what's transpiring within the supply chain across a variety of industries and companies. You as an individual have expectations of information, visibility, service, value-add services, speed, and want it the way you want it, when you want it as a consumer. That's exactly what is happening throughout a variety of other industries. We actually work with a number of clients that have seen a shift in the way in which they have to support their customers from where maybe previously it was 60 or 80 percent of what they distributed was case items, may have been manufactured overseas, came over as cases, they're going to go out... Now they're seeing the exact shift of that going, now it's 60 or 80 percent being packed to the customer, packed to a store, packed in a way that is adding value to that customer differently.

We're actually seeing in a variety of industries—whether it be retail, industrial products, automotive aftermarket parts—you're seeing things change, and it's all based on this view that "I want it the way I want it, when I want it, and I want to be able to have the capabilities of seeing things that I see as a consumer; why can't I see that as a business to better be able to manage my supply chain?"

MM: Is that a migration of a set of personal, consumer expectations and habits that has migrated to the business-to-business world, as opposed to business-to-consumer?

JW: I think it's actually a combination. I give you the example... one of our clients—MSC Industrial—they're a large industrial products distributor. They basically saw this trend of orders becoming smaller, more frequent, the demand for visibility and speed, the fact that every customer doesn't want things the same way. Some don't care if they get it the next day; they just want it when you promised it, even if it was two or three days. Some want to be able to mitigate costs; they're comfortable with having different transportation modes, but at the end of the day they want to know that it's going to be fulfilled when they want it. What MSC did is, they said, "Let's use this as a competitive advantage. Let's change the game in terms of I'm going to make sure that I use this and this change in what consumers are asking for, customers are asking for, to my advantage. I'm going to make a guarantee. I'm going to put skin in the game. If I don't deliver it exactly when I told you I was going to deliver it, I'm going to pay you." All of a sudden, that defines an entire different experience for their competitors—the landscape, and also expectations.

Another example would be L.L.Bean. So L.L.Bean has been known in the industry for years as being a premier service provider. They actually became almost their own worst enemy. Why? Because they allowed consumers to order closer and closer and closer to Christmas, to the point where now they had to scale their operations, scale their service, to a level for peak on Easter Sunday. Well, now it's the day before Christmas, and they're able to still support things. So the consumer side, the service side, I think, is happening both on a business-to-business environment, but also on a business-to-consumer environment, but is transcending a variety of industries based on this expectation of service.

MM: Sticking just for one moment on the technology side of it, I think a case could be made that the availability of emergent technologies has allowed this higher customer expectation. On the other side, in terms of satisfying the expectation, is there sufficient enabling technology to allow companies to deliver on what their customers now demand?

JW: I think there is the available technology to do it, and I think that you're right in the fact that technology over the course of the last five or ten years has evolved to allow things to happen that couldn't have happened previously. You can even simply take computing power, even seven or eight years ago, the ability to plan down to a SKU level in a store was not something that was happening every day. Now you can do it, and it's not an issue. The ramifications of what that means in terms of information flow, being able to make decisions, I think has changed. But the counter of that is that the barriers of entry are also different, and I would offer that sometimes it's the companies that have been around for a while that are having a harder time adopting and changing to these new requirements and expectations of their customers or consumers, depending on where they are in the supply chain, as opposed to new companies that are coming in who are not saddled with the old way in which things were done, the old infrastructure, the old organizational structure, the old metrics. In some cases, I

think, that the barriers to entry have gone down because of the technology that's available today.

MM: Right. That's intriguing, that it's more than—for the older, established companies—it's more than just an aversion to change. It's dealing with the legacy of existing systems, operating practices, company cultures, and so on. You've touched on a couple of good examples of how companies are doing that. What about those companies that are struggling with it? If you could just give them one or maybe two pieces of advice on how to begin moving down the path of getting to where companies need to be today in terms of satisfying heightened customer demands? What are those one or two first steps that you could recommend to them?

JW: I would first say get ready, because it's coming. The expectations are there, and they're going to continue to be there, and it's only going to be heightened in regards to expectations around service, flexibility, agility of those supply chains that are servicing them. When I say get ready, I think in part it's about understanding where you add value. It's understanding where your costs are, understanding your value levers, and being able to really understand what are the things that are value-added in the supply chain vs. those things that are nice to have. Further, not every customer is the same. If you can understand which customers do you really want to serve, which are the ones that are going to be able to support your business, where are you going to make money, where can you drive out inefficiency, if you can understand, if you will, an overly used term—"total cost to serve"—by different segments, whether it be SKUs, channels, customers, geographies, offerings or assortment, if you can really understand that then now you have the ability to make intelligent decisions. The absence of that means people make decisions in aggregate, and they make decisions based on the average. The unfortunate thing is, there've been a ton of people that have drowned in water that was, on average, two feet deep. But if you work in the world of averages, unfortunately that's what happens.

So I think it's about getting down to a level of action and being able to get ready in the sense of understanding what it means in your supply chain in terms of the cost and service metrics.

MM: And taking that understanding, wherever possible, to a discrete customer.

JW: Absolutely.

MM: Great commentary, really engaging. I appreciate you taking the time to join us.