Future of supply chain

Customer centric supply chains: Shaping your customer experience

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KPMG International

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High-performing organizations recognize the need to be closely connected to their customers. They acknowledge that their front, middle and back offices all impact customer experience. To deliver highly customized products swiftly and make every customer interaction a delight, they must align different parts of the organization — including partners. A customer-centric supply chain is driven by visibility, insightful data, and a shared commitment to customers. It also looks to balance customer expectations with profitability, by delivering the desired customer experience without under or over-investing in capabilities.
Customer-centricity is the new battleground

Today’s customers are better informed, better connected and more demanding than ever before. The supply chain must adapt to these heightened expectations.

The good news is that it pays to get closer to the customer. Recent research shows that customer-centric organizations are 38 percent more likely to report greater profitability than their competitors¹. In addition to keeping abreast of rapidly changing needs, organizations must create an environment that’s responsive to these needs and works to deliver an outstanding experience.

Brand promise is increasingly about factors like customization, swift innovation, ease of ordering, packaging and speed of delivery and returns. Consumers seek integrity and authenticity from their brands — something as apparently innocuous as the attitude of a delivery person can affect their perceptions and loyalty.

To deliver a winning customer experience, organizations should satisfy three key goals:

1. Connect to customers with compelling value propositions and interactions
2. Empower employees to deliver on the brand promise
3. Connect front, middle and back offices behind customer growth

"The way organizations interact with their customers is driving a change in interactions across the front office but it’s also having an effect in the middle and back office. To become truly customer-centric, you have to embed a Customer First mindset across the entire organization."

Julio Hernandez
Global lead, Customer Center of Excellence, KPMG

¹ Harvey Nash/KPMG CIO survey 2018: The Transformational CIO
As companies start to shift from focusing on selling products to offering an all encompassing customer experience and engagement across the purchase journey, the supply chain must adapt accordingly. This means striving to align the front, middle and back office with the customer promise. For example, we’ll see product development working closely with manufacturing, packaging, logistics and ordering, with the aim of ensuring that every part of the product journey fulfills the customer and brand promise.

A future supply chain is likely to address the following challenges:

**Customization and speed-to-market**

The traditional approach of producing large batches in centralized, low-cost locations is fast becoming redundant. Customers now want highly customized products, often in small volumes, delivered in days if not hours. This reflects a move towards ‘buy where you make’ and ‘make where you sell’ via micro supply chains, using new technologies like 3D printing.

**Micro-segments**

Supply chains are already re-forming around the requirements of smaller customer segments and becoming increasingly agile. With fewer fixed assets and more use of third parties at every stage, companies can pilot new products and scale production up or down more efficiently. By leveraging sales performance data to generate customer insights, products can be launched, changed or discontinued upon very short notice, and exist in a state of continuous development. Machine learning and automation will become more sophisticated to facilitate this further. So as consumer demand becomes more intense, the ability to serve micro-segments will become a necessity.

**Accelerated innovation**

In a 2018 global survey² of supply chain professionals, innovation was seen as one of the largest drivers of investment, second only to visibility. This trend will continue to grow. Technological innovation will need to be hardwired into every stage of the supply chain, whether it’s drones delivering products faster; data and analytics predicting customer needs; IoT sensors gauging product performance and identifying maintenance needs, or integrating customer feedback into the product development process in real-time.

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Customers expect an authentic experience from a trustworthy organization. Break this trust and it can be hard to recover. The ripple effect of social media amplifies any damage further than ever before. Each element of the supply chain must be fully bought into building and maintaining customer trust, which means delivering on the basics such as polite, personalized customer service; on-time delivery; sustainable sourcing and packaging; swift refunds for returns; high-quality products; secure payment platforms; and respect for data privacy. With a wide range of internal and external parties involved in the supply chain, managers will have to constantly monitor every activity to ensure there is an authentic and consistent customer experience. In addition, organizations will need to take a long hard look at the way they capture, retain and use customer data along each aspect of the supply chain.

"We are seeing a shift towards ‘buying into’ an organization rather than ‘buying from’ it. As customers make their purchasing decisions, they are giving increasing weight to brand purpose and reputation, quality, safety, security, convenience, reliability and value for money."

KPMG International
Global consumer insights
Me, My Life, My Wallet 2021

Channel consistency

Customers expect to communicate and purchase in a way that suits them and at a time that is convenient to them. They want instant access to product information, purchasing, delivery and return options, and expect a simple, seamless experience at all times. They want to be able to benefit from offers regardless of channel. They will expect the engagement with your brand to co-ordinate across all channels. The use of partners and third parties adds complexity to these expectations. It will become vital to ensure that they all represent your brand and understand your customer promise to be able to deliver on customer expectations. Building the right channel strategies for the right segments should be high on the list of future considerations.
3 The need for better segmentation

Because of today’s operational complexities, companies need to establish more efficient supply chains to deliver their products and services to a diversified customer base while maximizing profits.

This challenge is putting more stress on the business to expand and customize their offerings, making it increasingly difficult to equate cost/activity to value creation. As the traditional business model becomes increasingly incapable to support customer expectations, this has put a strain on the current operating model (‘one size fits all’ approach) and subsequent profitability of their product lines.

Companies today are carrying a more diverse mix of products and services than ever before, requiring a more complex combination of materials, from a broader network of suppliers.

Most transactions are structured at very different price points, with unique terms and conditions — in an effort to give customers exactly what they want.

The number of channels and customers has also increased significantly — each one expecting tougher (more personalized) service requirements including more shipments and support services delivered directly to end users.

As a result, a great deal of stress is being put on the core operations of the business which translates into higher operating costs, slower processing time, sub-optimal productivity, and higher overall risk.

Effective supply chain segmentation strategies such as including, designing, and operating distinctly different end-to-end value chains, optimized by a combination of factors (e.g. unique customer value, manufacturing and supply capabilities) can help to maximize net profitability across each segment. By segmenting end-to-end supply chains, companies can optimize profitability in fulfilling customer expectations. This can be done by defining segmentations and sub-segmentations within the supply chain based on customers behaviors in three primary areas of: ‘what they buy’, ‘how they buy’, and ‘how they expect to be served’.

Potential benefits of effective segmentation

- Drive revenue growth and improve profitability across your core businesses.
- Enhance customer service and experience, leading to improved brand perception.
- Support an agile supply chain delivery model to efficiently manage changing customer needs.
- Create efficient supply chain planning and reporting.
- Increase alignment between external customer expectations and responsive operations.
- Reduce costs across key supply chain segments.
- Increase SKU, customer, and supplier profitability.
By recognizing how customers see the world — and predicting their future needs — organizations can create agile supply chains with the customer at the center; however, centricity will only succeed if it’s applied with a strong commercial focus that takes into account the following:

1. Map the customer experience journey
2. Understand cost-to-serve and profitability
3. Digitize the front, middle and back office
4. Take a fresh look at partners
5. Don’t forget your people make the difference
Map the customer experience journey

Build a rich picture of customer experiences by identifying every customer touch point across all your channels, and assess how relevant internal and external parties impact this experience positively and negatively.

Understand cost-to-serve and profitability

With customer micro-segments proliferating and third parties and partners involved in the supply chain, the level of complexity has risen dramatically. Amidst this complexity, companies must strike the right balance between over-serving (which pushes up costs) and under-serving (which impairs the customer experience). The ‘sweet spot’ — which maximizes economic value — varies between different segments and requires reliable analytics to calculate.

Economic value is lost when experience fails to meet expectations resulting in missed revenue and share.

Economic value is maximised when customer expectations and experience are in alignment.

Source: KPMG International
Digitize the front, middle and back office

An integrated supply chain must be fully digitized in order to remove friction in your processes while generating the right data to provide visibility across the supply chain and to arm decision-makers with actionable insights. Intuition is never enough; you must have a clear and current picture of what customers are doing and thinking — in real time.

Take a fresh look at partners

If you want partners and third parties to mobilize behind your customer, you shouldn’t just treat them as contractors. They need to fully buy into your vision of customer-centricity and be incentivized accordingly. Their teams and cultures need to be scrutinized to ensure they embrace the same values as those within your organization. Customers will see them as an extension of your brand and hold you accountable if your customer promise is not served at each interaction along the supply chain.

Don’t forget your people make the difference

Each employee needs to appreciate the importance of customer experience and understand how their role delivers on the brand promise — even if they’re not directly customer-facing.

Achieving high levels of employee and customer engagement is not easy. In the same way as the customer experience has evolved rapidly to keep pace with escalating customer expectations and new technologies, so has the employee experience. Employee journeys will need to be engineered and delivered to at least the same standard as those for customers. They must support the changing nature of work and the changing nature of the employee, with all its ensuing challenges and opportunities.
KPMG recognizes that today’s business leaders don’t only need solutions, they need reliable business advisors. Whatever your sector, KPMG’s network of firms can add value in your supply chain transformation journey.

Multi-disciplinary teams from across our global network of firms combine deep industry expertise with an agile approach to help you unlock existing value within your enterprise and enhance your capabilities to achieve sustainable growth in the future.

**KPMG consultants can bring to bear a suite of frameworks, methodologies and tools to help you review, design and optimize your supply chain function.**

— Drawing on a wealth of insight and experience, KPMG has developed a sophisticated, purpose-built digital analytics platform that your teams can leverage to pinpoint opportunities and cost drivers faster and more effectively.

— KPMG has designed a series of proprietary operating model and technology accelerators that can help turbo-charge your supply chain function and accelerate your return on investment from transformation efforts.

— KPMG has devised a systematic methodology that identifies and interrogates costs across the full length of the value chain. We work diagnostically, top to bottom, from the costs associated with your product portfolio through the design, manufacture and distribution processes of individual products. It’s an approach that enables us to attack costs at their source.

— At KPMG, we’re focused on value. We use a variety of tools and methodologies to target and realize benefits and opportunities for ROI that can help offset the costs incurred in transforming your supply chain. KPMG professionals can create a transformation roadmap so you don’t have to wait to see the value in upgrading your supply chain function.

— KPMG can provide the frameworks and analytics capabilities that enable you to distinguish between ‘value eroding’ and ‘value contributing’ complexity. We can help you develop an adaptable operating model with a bias for standard work that strikes an optimum balance between product variety and process complexity.
KPMG Powered Enterprise | Supply Chain is an outcome-driven solution designed to help your organization address the key challenges in managing a complex, dynamic supply chain. Within it, the KPMG Target Operating Model can help you improve your supply chain function to better meet the demands of your organization, while helping to maximize efficiency gains both now and in the future. KPMG teams understand the human factors involved in business transformation. We can help inspire and empower your people to embrace change as you align your transformation with industry disruption. A pre-configured cloud solution, embedded with years of KPMG’s leading practices and enhanced with automation, Powered Supply Chain helps you quickly transform and derive value from your move to the cloud.

**What’s in the box?**

Powered Supply Chain provides a combination of leading practices and processes, tested technology solutions and a next-generation delivery framework. Adapted together with you, the pre-configured approach provides a fast-track towards value creation and benefits realization.

— The KPMG Target Operating Model shapes how transformation plays through every layer of your organization. Its breadth helps ensure that the transformation is business and function led, enabled by technology.

— KPMG Powered Execution Suite is an integrated platform of next-generation tools to help deliver functional transformation.

— KPMG Powered Evolution provides access to specialized resources that can drive continuing evolution.
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