



Executive Summary – Supply Chain Software Report 2006

The retail sector is becoming increasingly challenging, the competition is getting tougher, market leaders are getting bigger, mergers and acquisitions are a normal part of business. New entrants need to create their own niche to be able to compete, traditional category 'killers' are fending off grocery multiples and consumers are increasing their demands in the areas of price, quality and service. The speed of technological innovation is increasing yet shareholders want even more return on their investments. There are more requirements of retailers today than simply to offer quality products at a fair price.

One way to meet these challenges is to make the supply chain more effective. This is nothing new as we know - retailers have struggled to improve their supply chains for years; often with poor results. Boots have recently seen enormous efforts go to waste and they, like most retailers are still experiencing the old problems such as, out-of-stock, unsold inventory and unprocessed "returns" with billions of pounds in lost profits as a result. According to some estimates¹, 8% of items consumers want to buy are out of stock and over 30% of all goods sold are at marked-down prices.

One reason for the mismatch of supply and demand is that many retailers have concentrated on the "upstream" end of the supply chain such as planning and forecasting and have not balanced that work with sufficient improvements "downstream", which is where the consumer makes the decision to buy the product. When this is limited to a bricks and mortar retailer, the problem is bad enough but can be rectified with some short-term work-arounds. The new complexities have arisen where multiple channels compete for limited stock and lack of integration in the core operations of the business result in some hugely complex processes to ensure that limited stock is distributed efficiently and to the most likely location of sale.

As these issues become a priority for most retailers, so does the need for a single source of information about the challenges in supply chain. This report is designed to assist with the decisions facing retailers in the area of supply chain automation, in particular 'who' does 'what'. We have produced a helpful, basic overview section, which covers the elements of the supply chain functions and following that, a market sweep review of over 100 software vendors in this space.

As an independent review, it is not the aim of this report to score and rank the vendors but to give retailers a significant head start on understanding the options available. If you are a department or function manager within the supply chain area, you will find the overview section useful in the areas that complement your area of expertise. If you are involved in a supply chain package selection or a supply chain improvement project, we hope that the vendor market sweep will save you some time. If you happen to be a relative newcomer to the area of supply chain, we hope that this document will provide some useful information and insights into this increasingly complex area of retail.

On a final note, reports of this nature can often raise more questions than they answer, so as with all publications from Nemea, we invite you to contact one of our consultants if you would like to discuss any of the contents of this report in more detail.

You can email us at info@nemea.com or call us on 0845

¹ Harvard Business Review, November 2001, "Welcome to the New World of Merchandising"