

Future supply chains have to be more flexible, smarter and lean

MARKUS MEISSNER, GLOBAL CEO OF AEB, SAYS RETAILERS HAVE YET TO OPTIMISE THEIR SUPPLY CHAINS WITH THE HELP OF TECHNOLOGY. SHARON TIAN REPORTS.

CONSUMERS who purchase goods online from Tommy Hilfiger, Lacoste, Puma or Buffalo, place their goods and data in the hands of NETRADA—a full service e-commerce solutions provider for the fashion and lifestyle industry. NETRADA not only manages the online shops for these fashion brands, it also organises shipments, customs clearance and the important function of managing returns. For NETRADA, the crucial issue is to free up both time and space for the retailers of these brands.

Clearing returns through customs used to take up to a week and in the past, NETRADA had to hire many temporary workers to help manage seasonal returns. Today, returned goods can be re-stocked on the very same day, thanks to an AEB solution which makes it possible to standardise and automate critical business processes in the supply chain.

“Managing returns is a very big topic for retailers, especially with the growth of online shopping,” said Markus Meissner, global CEO of AEB. He was in Singapore recently and met with RETAIL ASIA to talk about the challenges of managing retail supply chains.

Another AEB customer is Zalando, a multi-national e-commerce fashion retailer. Zalando’s sales have been growing rapidly but its return rate is reported to be as high as 50%. Returns costs including handling costs and depreciation of goods are high, averaging 20 euros or more per return shipment. This poses a big problem for the company.

“Supply-chain partners must be ready

to cooperate with their clients to find a solution,” observed Meissner, who added that in Germany, what some companies have done is to pre-print return labels and this has been effective in reducing the cost of managing returns.

Fast-moving products

AEB’s software helps in the inventory check and provides visibility so that a company such as Zalando can look at what is coming back from the consumers; they can prepare the space and put the returns back into the inventory quickly and can start to re-sell, maybe even before the returned batches are shipped. “Fashion is a very fast-moving business. What you can’t sell in one market, you must immediately find another market.” Meissner said this is where technology helps significantly.

Beyond managing returns, retailers face a whole set of new challenges and trends in their complex business that must be overcome.

After 12 years in the supply-chain business, Meissner said his discussion with retailers still begins with asking retailers if they are aware of the technology needed to support their business. Despite the availability of technology, companies do not want to spend too much on software, especially in regions where labour is abundant. “But, in retailing we are talking about B2C (business to consumer) trade and the consumer at the end of the supply chain is a demanding species, who wants his needs fulfilled immediately.”

Today it is the consumer who drives the supply chain, said Meissner. Further complicating the situation for retailers, the consumer today is one who is increasingly adept at buying over the Internet or with his mobile phone. “Retailers know that omni-channel retailing has to be established but they must also realise



AEB’s Markus Meissner: “Supply-chain partners must be ready to cooperate with their clients to find a solution for managing returns!”

that this is where using labour as a solution just doesn’t cut it anymore. No human labour can manage this multi-channel retail supply chain [well] and if you can’t manage it, your costs will go up.”

Segments of one

Other key trends, including the demand for customisation, are challenging retailers and impacting their supply chains. “With the advent of new technology such as 3D printing, I see that many commodities are going to become even more

personalised. We are going towards producing for ‘segments of one’—small batch production, even down to one lot.”

Another factor is demographic changes. Older people are less mobile and will increasingly be forced to rely on home delivery services. “They will need to rely on technology (online or phone orders) to get their goods and services,” Meissner added.

“Then there is the cost factor, with rising labour and energy costs. While these will not in themselves lead to changes in the supply chain, they will impose the need for a lean supply chain.”

According to Meissner, at present, there are still inefficiencies in the supply chain, with too many service providers duplicating the last mile processes. “For example, we may see different courier companies sending parcels to one address, maybe as many as three couriers going into one home on the same day to deliver different goods. This is a waste of resources and is costly. Supply-chain service providers offering last mile services should consolidate; this industry needs much more collaboration to avoid duplication.”

Meissner said all these challenges portend the need for retailers to have more flexible, smarter, lean and much more collaborative supply chains to thrive. **ra**



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