



Managing at the Speed of Reality

A transformation is taking place in the retail supply chain. Success will be measured by how well supply chain professionals use information and technology to improve overall business value. A supply chain strategy that is linked with operational excellence can provide success for not only the company, but also for its customers.

What's in store for supply chain and retail management professionals in the decade ahead? Prediction is very difficult, yet it is certain that the retail industry will continue to be among the most challenging and competitive sectors. This complexity should cause retailers to rethink how they manage the impact of these challenges on their supply chain. Over the next decade, information-driven collaborative supply chains will form the core of retailers' business models. Today, most supply chains are built on inventory. Inventory reserves are quite common to ensure that risks are balanced with "just-in-case" demand requirements. Companies have built-in safety stocks to adjust for inconsistent supply sources, which instills a level of constant "buy-more" trade off to make up for those suppliers who can't ship on time. To meet these challenges, the retail industry is beginning to look at the supply chain as a strategic opportunity within a broader company strategy. Retailers who have made the paradigm shift to information-driven supply chains have the visibility to sense, predict, and plan demand at granular levels and in real-time. They have upside flexibility and streamlined sales and operations planning that cut across silos.

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In a 2006 report from Economist Intelligence Unit, CEOs' top five priorities focused on driving operational excellence, streamlining innovation, managing risk and compliance, driving revenue growth and maximizing shareholder value. These goals may be more difficult to achieve than others, but in retail, when you mix competitive environment, uncertainty in global markets, thin margins, and volatility of consumer spending – it makes the objectives seem impossible to achieve. What we do know is that the supply chain is shifting and the demand side is more demanding than ever. Managing at the speed of reality has become the new norm. Retailers must transform their business to focus on a supply chain built on information, instead of inventory. Inventory turn is a common metric used in Retail. The calculation is simple; turn is equal to COGS (cost of goods sold) divided by inventory. The challenge for retailers is to focus on more productive uses of inventory. Also, with globalization and global sourcing, retailers must look to optimize supplier networks to decrease supply variability while still delivering on customer expectations of more products on the shelf.

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Transformation in the Supply Chain

Success will be measured by how well supply chain professionals can use information to improve overall business value. Transformation, in the global landscape, requires retailers to take a fresh look at:

Breaking Up the Bottlenecks

- Does your supply chain allow for time-phased changes to planning, and orders?
- Does your supply chain allow for synchronized view of demand signals?

Move from Static to Demand Sensing & Shaping

- Does your supply chain capture POS information?
- Does your supply chain use levers such as profitability, and capacity as decision drivers?

Rationalization of Supply Sources

- Does your supply chain have the ability to analyze optimized flow strategies based on market conditions and unplanned events? Does your supply chain have the ability to rationalize suppliers to minimize risk?
- Does your supply chain have the ability to determine postponement strategies?

The Better Approach

The forces of change in the retail supply chain will lead retailers to look at new technologies that can shape and build strategic value for the business. A supply chain built on intelligent information provides a transparent view across all supply chain nodes that will ultimately drive improved value. Infusing science into business intelligence through a unified predictive platform, on a single forecasting engine, will drive better allocations. This will also improve merchandising sell-through rates. Integrated and aligned planning will improve overall strategic planning and execution. And finally, this improved approach leads to a better use of inventory owned, leading to maximizing gross margin dollars and inventory turns. This allows for key performance indicators to measure supply chain performance, fueled by a single source of truth.

Conclusion

It is not uncommon for retailers to experience double-digit improvements in inventory while sustaining and improving service levels. For retailers looking to manage at the speed of retailing, advanced inventory planning solutions are too compelling to ignore. Oracle's business is information—how to manage it, use it, share it, protect it. Oracle, the world's largest enterprise software company, has provided the software and services that enable retailers get the most up-to-date and accurate information from their business systems. Oracle's industry-leading retail supply chain management applications are the only complete solutions powering the next generation of information-driven supply chains.

CONTACT US

To learn more, call +1.800.ORACLE1 to speak to an Oracle representative or visit <http://www.oracle.com/industries/retail/index.html>

Outside North America, visit oracle.com/corporate/contact to find the phone number for your local Oracle office.

Did You Know?

- **20 of the top 20** global retailers depend on Oracle Retail Applications & Technology
- **9 of the top 10** North American retailers use Oracle Applications to run their business
- **15 of the top 16** food and drug retailers rely on Oracle Applications

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