Customer-centric supply chain

Supply chains play an unequivocal role in shaping the customer experience

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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. According to Gartner, eight out of ten CEOs believe they’re competing mostly or completely on the basis of customer experience1.

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 competitors2. 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

Julio Hernandez
Customer Center of Excellence Lead
KPMG International

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.”

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1 Gartner Customer Experience in Marketing Survey 2017
2 Harvey Nash/KPMG CIO survey 2018: The Transformational CIO

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A future supply chain will 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.

**Customers have almost infinite product choices and near-instant delivery. This notion of customer experience must be a core tenet of your supply chain operating model.**

Brian Higgins
Principal, Supply Chain and Operations Practice Leader, KPMG in the US

**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 recent global survey 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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Trust and authenticity

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.

The relationship with brands is like a social contract, with expectations on quality, delivery and sustainability, which the company must constantly live up to.”

Jason Mowery
Managing Director, Connected Commerce, KPMG in the US

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.

Consumers are increasingly aware of the value of their personal data. As a result, companies can no longer afford to dismiss customer concerns about the use of that data — failure to respect customers’ data preferences will drive them to more customer-obsessed competitors.”

Fatemeh Khatibloo
Forrester Research
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, to ensure that every part of the product journey fulfills the customer and brand promise.
Five takeaways: Rethinking the supply chain through a customer lens

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.

Leading brands are now starting to think of their customers as assets that should be protected, nurtured and invested in. They view their customers’ loyalty as a form of equity in the company. And they are thinking about how they might start to move their customers onto their balance sheets vs a simple transactional relationship that appears periodically on the income statement as a revenue item.”

Jeff Mango
Managing Director, CX Lead, KPMG in the US

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

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

Source: KPMG International
Five takeaways:
Rethinking the supply chain through a customer lens

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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.

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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.

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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.
How can KPMG help?

KPMG recognizes that today’s business leaders don’t only need solutions, they need reliable partners. Whatever your sector, KPMG can add value at any point in your supply chain transformation journey. Our multidisciplinary teams combine deep industry expertise with an agile approach to help you unlock existing value within the enterprise and enhance your capabilities to achieve sustainable growth in the future.

KPMG 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 than before.
- KPMG has designed a series of proprietary operating model and technology accelerators that can turbo-charge your supply chain function and accelerate return on investment from transformation efforts.
- KPMG has devised and adheres consistently to 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 every process in the design, manufacture and distribution of individual products. It’s an approach that enables us to attack costs at their source, retaining value far more effectively than alternatives that focus on mitigating costs once they’re cemented into your proposition.
- At KPMG, we’re obsessed with value. Our teams use a variety of tools and methodologies to target and realize benefits and opportunities for ROI that can offset the costs incurred in transforming your supply chain. We can create a transformation roadmap that means 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’ll 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 Supply Chain brings together industry-leading practices and processes, pre-configured, cloud-based technology applications and a next-generation delivery framework to help you jump start your supply chain transformation journey. We can help you to:

- Leverage customer-centric business models, pre-built KPI libraries, data models and reports to align your supply chain to your customer experience.
- Take advantage of best-practice process architectures, a catalogue of robust controls and market-leading service model design to be able to anticipate and quickly resolve supply continuity problems.
- Exploit industry insights and advanced data analytics to organize your logistics capabilities around actual demand rather than sales forecasts.
- Utilize KPMG’s Target Operating Model to drive sustainable transformation and enhance the value of your supply chain.

The result is reduced implementation risk, clear, consistent return on investment with top-decile performance and a solid platform for continuing business evolution.

KPMG Connected Enterprise is our customer-centric and enterprise-wide approach to digital transformation. It focuses every process, function and relationship of the organization on a single purpose, harnessing the power and potential of customers to fuel profitable and sustainable growth. The divisions between front, middle and back offices are collapsing. Future-focused businesses are shaping new operating models in which every part of the organization, from sales to the supply chain, is working with every other element to deliver against the customer promise.

KPMG Ignition Centers are our most innovative spaces. They facilitate new ways of working with one another and our clients, help us to compete for the new types of talent required by 21st Century Enterprises, and serve as the storefront for our most innovative solutions. With locations that span the United States and KPMG International member firms, we invite you to experience the future at one of our KPMG Ignition Centers.

KPMG has been named a leading global service provider for Supply Chain Planning consulting services in a major new report: The ALM Vanguard: Supply Chain Planning Consulting 2019 report. The report notes how “KPMG demonstrates consistent success in elevating and maturing client planning organizations into a truly integrated, high-functioning operation that is capable of delivering real positive results.”

ALM
- Vanguard Leader in Sourcing Strategy Consulting 2018
- Vanguard Leader in Procurement Operations Consulting 2018
- Vanguard Leader in Logistics Management Consulting 2017

Gartner Market Guide for Supply Chain Strategy & Operations Consulting

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