



# PROCUREMENT BULLETIN

July 2017 Issue

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## [Case Study] Amazon's Shipping Infrastructure Takes to the Sea

Amazon sells an expansive range of products in nations across the globe, and the online retailer continually seeks innovative ways to streamline its logistics, cut its costs, and manage more of its supply chain. Learn how launching a sea-based shipping initiative could help Amazon gain greater control over its supply chain.

### Situation: Amazon Aims to Make Shipping More Efficient



Image via [Flickr](#) by Ingrid Taylar



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For online retailers like Amazon, shipping costs are one of the company's biggest expenses. That's why Amazon has spent years experimenting with ways to make its supply chain more efficient. Doing so would reduce expenses, limiting the distance that shipments must travel as well as the amount of time they take to arrive at their destinations. Since Amazon completes many of its shipments by air, the retailer has considered the idea of purchasing its own aircraft and launching an air cargo provider.

The online retailer has also launched Fulfillment by Amazon, a [service that manages warehousing and distribution](#) for small businesses and enables these retailers to sell products through the Amazon platform. As Amazon expands its global offerings and aims to add drone shipments to its offerings, however, the company recognized a need to make its logistics business even more efficient.

## **Approach: Amazon Launches Sea-Based Shipments**

In response to growing logistical challenges, Amazon China obtained a license to serve as an ocean freight forwarder, enabling the online retailer to operate by sea. As of mid-2017, Amazon's sea-based initiatives are still relatively limited, as they apply only to the retailer's Chinese subsidiary and allow for forwarding of other companies' goods.

However, the [long-term implications could be immense](#). Countless companies currently resell Chinese products in the U.S., but Amazon's sea-based forwarding service could allow those companies to streamline their operations and sell directly to customers.

## **Impact and Advantage**

Launching sea-based shipments is likely to be a boon to Amazon, as it will give the online retailer much more control over its logistics. This initiative may also allow Amazon to realize a greater return on investment (ROI) from its shipments and fulfillments.

However, launching this sea-based forwarding service could negatively impact the many retailers who sell products through Amazon's platforms. Establishing a shipment forwarding service would effectively remove these smaller retailers from the supply chain, boosting efficiency but potentially driving these companies out of business.

Those in the industry have also suggested that Amazon's move to handle sea-based logistics is indicative of the online retailer's larger push to [manage a global supply chain](#). The retailer has a history of partnering with smaller companies, only to buy them out or take over their share of the market later. This move to the sea could suggest a future move to manage every step of Amazon's business in-house, from manufacturing to sales to logistics.



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Amazon's move to manage sea-based logistics is likely to benefit Chinese companies in the near future, but the impact on American companies still remains to be seen. Retailers and logistics companies should watch closely to determine Amazon's effect on retail supply chain management.



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## **Predictive Analytics Set to Disrupt Supply Chain Technology**

Businesses around the world are seeking the next big boost to supply chain management, and many signs point to predictive analytics becoming an essential tool. This technology, which relies on data to determine patterns and predict future outcomes, has plenty of potential. Learn how and why predictive analytics is set to disrupt supply chain technology.

## **Predictive Analytics Is Bound for Widespread Adoption**



Image via [Flickr](#) by beximcopharmaceuticalsltd

MHI, the nation's largest association for the material handling, logistics, and supply chain industry, highlighted predictive analytics in its 2017 report, "Next Generation Supply Chains." The association's annual survey ranked predictive analytics as one of the [top three disruptive technologies for supply chains](#), second only to robotics and automation.

Unlike some of the most widely accepted digital technologies, such as sensors and cloud computing, only about 20 percent of respondents reported that they have already adopted predictive analytics. Though it's still considered a new technology, an impressive 89 percent of



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respondents reported that they planned to implement predictive analytics into their companies' supply chains in the next six years. In just two years, MHI anticipates that the technology will reach a [52 percent adoption rate](#).

## **Predictive Analytics Can Help Companies Get Ahead**

The retail and marketing industries have used predictive analytics for years, relying on this digital technology to analyze sales patterns, improve customer engagement, and drive conversions. Now, businesses in every industry are increasingly finding that this predictive technology can help them improve supply chain efficiencies. By integrating predictive analytics into supply chain technology, businesses have the potential to streamline logistics and cut costs, both of which can produce desirable results.

While many high-performing companies already make use of this technology, many more companies with average or sub-par performance data are likely to adopt predictive analytics in the near future. Mastering this technology may help underperforming companies improve and become more competitive.

## **Predictive Analytics Enables Advanced Supply Chain Segmentation**

For many companies, predictive analytics will form a key part of the puzzle known as advanced supply chain segmentation. When combined with other high-level digital technologies, such as big data and the internet of things, predictive analytics can drive a comprehensive approach to strategic segmentation. Doing this enables businesses to consider past, present, and future data, which provides a more [forward-thinking approach to advanced supply chain segmentation](#) and enhanced profitability.

To maximize the value of predictive analytics, businesses must determine the most effective methods for implementation. Many experts recommend using a top-down approach, keeping in mind what drives business in the first place. Anticipating security issues will also be of utmost importance as businesses seek to streamline their supply chains without generating expensive errors or data breaches.

Though predictive analytics aims to be one of the most substantial supply chain disruptors of the next few years, many businesses also need a better understanding of the technology's return on investment (ROI) before integrating it into the supply chain. Once executives can fully comprehend the value and the potential of this digital technology, they can make informed decisions about how and when to implement it.



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## [Case Study] Delhaize America Freshens Up With New Supply Chain Solution

Delhaize America, the U.S.-based branch of the European supermarket conglomerate Ahold Delhaize, has long aimed to offer its customers the product range they want and the quality they deserve. The company, which owns supermarket chains like Food Lion and Hannaford, has recently undertaken concrete steps to improve the freshness level of its fruits and vegetables. Learn how Delhaize America has overhauled its supply chain to increase freshness in its produce department.

### Situation: Delhaize America Identifies Problems With Its Produce Offerings



Image via [Flickr](#) by Open Grid Scheduler / Grid Engine

For years, Delhaize America has struggled to perfect perishable procurement, which is one of the biggest challenges in retail. In 2013, the company's woes culminated in a management shakeup and [new executive team for its produce department](#).

With over 1,000 Food Lion stores spread across the Southeast and nearly 200 Hannaford stores in the Northeast, Delhaize America has long had a serious logistical challenge on its hands.



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Together, the large number of stores and extensive geographic area make ensuring freshness difficult across the perishables category. Since poor quality and selection in the produce department can deter customers from shopping at a supermarket altogether, Delhaize America recognized the need to take a proactive approach to freshness.

## **Approach: Delhaize America Partners With RELEX Solutions**

The company, which is based in Salisbury, North Carolina, recently opted to partner with RELEX Solutions to improve its supply chain planning. The partnership will include [forecasting and inventory management](#), effectively handling fresh categories at Delhaize America's distribution centers.

Though RELEX Solutions has only operated in North America since 2015, the supply chain management company has already earned its stripes in Europe. After helping European supermarket chains successfully manage fresh products and those with short shelf lives, the company aims to do the same in the U.S.

Delhaize America is optimistic that this partnership will enable the company to improve product availability in stores and decrease the amount of product stored in distribution centers. This will also improve customers' experiences and drive sales in Food Lion and Hannaford stores. In response to the RELEX Solutions partnership, [Chris Lewis](#), the supply chain senior vice president of Delhaize America, stated, "As an organization, we are continuously looking for ways to continue to innovate, enhance and optimize the way we procure and forecast product to our retail locations, ensuring our customers have the freshest merchandise available."

## **Impact and Advantage**

If RELEX Solutions does succeed in overhauling Delhaize America's perishable supply chain, the supermarket division could realize wide-ranging benefits. While much of the grocery industry is investing in online shopping, one category still drives customers to physical stores. For many customers, high-quality produce and a wide selection of [perishables are deciding factors](#) when they plan where to shop for groceries. If Delhaize America can drive demand with its produce department, the division may successfully win brick-and-mortar shoppers across the East Coast.

The partnership between Delhaize America and RELEX Solutions is still new, having just been announced in March 2017. Those who manage supply chains in the grocery industry should watch closely to assess how much improved perishables boost sales and growth at Delhaize America.



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## **Robotics Poised to Make a Major Impact on Shipping Logistics**

Robotics has long been a key component of the shipping industry, as robots can efficiently and cheaply perform simple, repetitive tasks that factor importantly into logistics. In recent years, however, robotics has begun to fill a more advanced role in the supply chain. Learn how robotics has taken on a more prominent position and discover how this technology is poised to make a major impact on shipping logistics in the near future.

### **Robots Enable Skilled Humans in Warehouse Settings**



Image via [Flickr](#) by nSeika

Around the globe, shipping companies have begun to integrate robot workers with human workers in warehouse settings. There, human employees train and program their robot counterparts to master tasks like locating, picking, and scanning goods as well as putting them



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back in place. While many human employees work quickly, robots can make the picking process much faster and more accurate, making warehouses much more efficient.

While the rate of robot adoption in warehouses is still relatively low, most companies who find the most value in robotics use methods that require humans and robots to work side by side. Many have graduated from a process that requires robots to locate an item, deliver the tote or pallet to their human counterparts, and then return the shelf to its place. Now, more advanced processes enable robots to work more autonomously, quickly locating items for their human counterparts, who then manually perform the pick.

## **Robots May Soon Work Independently**

Manufacturers like Locus Robots typically encourage shipping companies to [incorporate robots gradually](#), which reduces workflow disruption and enables their human counterparts to maximize their value. As founder Bruce Welty explains, this method of integration has the potential to drive further innovation, as workers seek out ways for robots to improve both workflow and overall performance. Global [shipping companies like DHL](#) are currently experimenting with this type of integration.

As robots take on more prominent roles in the shipping industry, some companies are devising warehouse environments that allow robots to work independently. Amazon has made numerous headlines for developing warehouses that rely almost solely on robots, with minimal need for human input. After calculating the sizeable benefit the company could achieve from incorporating robots at such an increased rate, [Amazon purchased robot manufacturer Kiva](#) to further integrate robotics into its supply chain. Other logistics giants haven't yet followed suit, but they may do so in the future.

## **Many Shipping Companies Realize Increased Value From Robots**

While not all shipping companies will benefit equally from investing in robotics, many industries are uniquely poised to realize substantial value. Companies that tend to move high-value products slowly and manufacturers of large, unwieldy items that robots cannot move safely may not receive a worthwhile return on investment (ROI) from adding robots to the shipping process. However, companies with hundreds of products or thousands of SKUs are much more likely to receive a substantial return after incorporating robotics.

Whether independent robot workforces or collaborative environments with blended workforces become the norm, one thing is certain. Shipping companies will need to pay close attention to the value and potential of robotics to ensure optimal efficiency and automation.



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## Related Procurement Events

### **Certified Procurement & Purchasing Specialists (CPPS)**

- 24-27 July 2017 - London
- 21-24 August 2017 - Kuala Lumpur, Malaysia
- 23-26 October 2017 - London, UK
- 4 September-31 October 2017 - Online Distance Learning
- 6-9 November 2017 - Lagos, Nigeria
- 19-22 November 2017 - Dubai, UAE
- 27-30 November 2017 - Singapore
- 4-7 December 2017 - Hong Kong

Download the full details: <https://www.ethanhathaway.com/training/certified-procurement-purchasing-professional-specialist-cpps/>

### **Certified Chief Procurement Officer (CCPO)<sup>TM</sup> Training Course**

- 17-19 July 2017 Singapore
- 24-26 July 2017-London, UK
- 16-18 October 2017-London,UK
- 13-15 November 2017-Dubai
- 6-8 December 2017-Singapore
- 11-13 December 2017-Hong Kong

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### **Certified Corporate Compliance Specialists (CCCS)**

- 17-20 July 2017 - London, UK
- 14-17 August 2017 - Lagos, Nigeria
- 21-24 August 2017 - Nairobi, Kenya
- 4 September-31 October 2017 - Online Distance Learning
- 17-20 October 2017 - London, UK
- 13-16 November 2017 - Singapore
- 19-22 November 2017 - Dubai, UAE
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### **Certified Big Data Analyst (CBDA)<sup>TM</sup> Training Course**

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- 19-21 November 2017- Dubai
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