

2014
supplychainforesight
THE RISE AND FALL OF CUSTOMERS AND COMPANIES

Welcome to the 2014 supplychainforesight survey.

Thank you to all of you who participated in or responded to this year's survey.

We are delighted to present to you the findings of the eleventh edition of the South African **supplychainforesight** survey. We trust you will benefit from the trends and insights of this year's report, "The Rise and Fall of Customers and Companies".

We live in dynamic times where what we knew and what worked in the past is fast being replaced by what we now know and what we need to know to succeed in this ever-changing, increasingly challenging, complex and competitive global business environment.

Success and growth are being achieved by those companies that are adapting to the needs and wants of their customers faster than others.

What has emerged in the survey is the gap between understanding Customer Centricity and implementing it. A challenge faced by many businesses is how to transform from traditional business structures and distribution models to those that are fully aligned with and consistently deliver what customers want.

Since its inception in 2003, the **supplychainforesight** survey has grown annually in size and stature, achieving a thought provoking mechanism that has found favour with businesses, academia and public enterprises. It has also provided a measure of performance and identification of trends and opportunities for South African businesses and their supply chains. It has grown to include specialised studies on issues such as Africa, and more recently the Middle East, exploring the changes taking place in supply chain management in the Gulf Corporation Council (GCC) states.



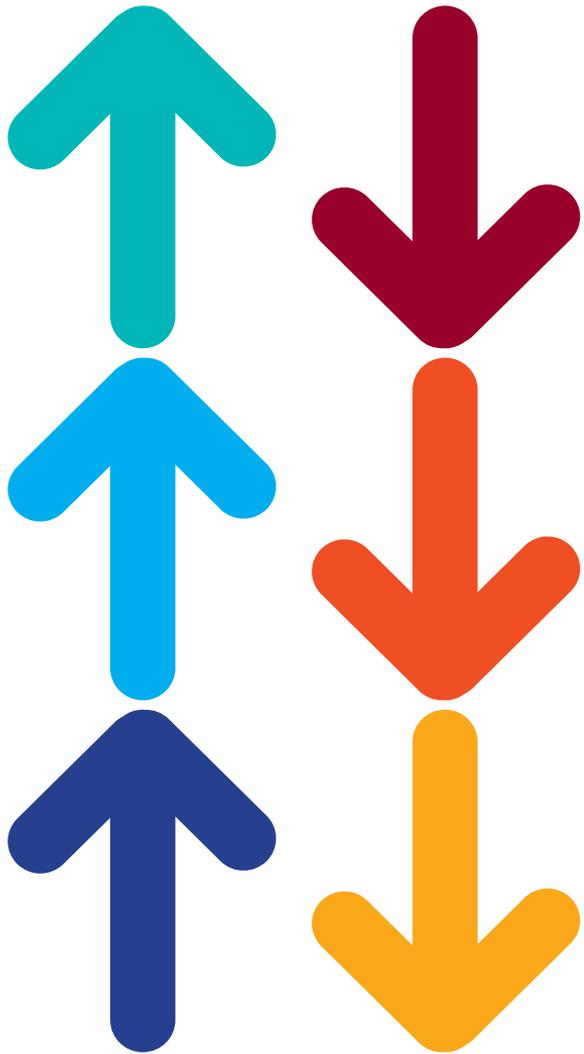
The aim of the **supplychainforesight** survey is to help countries, companies and individuals to determine strategies and tactics to adapt and respond effectively to changing market dynamics. We have provided our own insights and interpretations of some of the survey findings, but encourage you to view the data from your perspective and to challenge what it means to your operating environment.

Should you wish to debate these topics with us further or find out more about some of the trends in the report, please contact the **supplychainforesight** team who will be more than happy to meet with you.

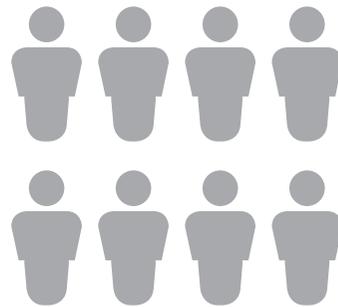
Once again, thank you to all of you who contributed to this year's research and to the team that made this possible.

Regards

Steve Ford
CEO Barloworld Logistics

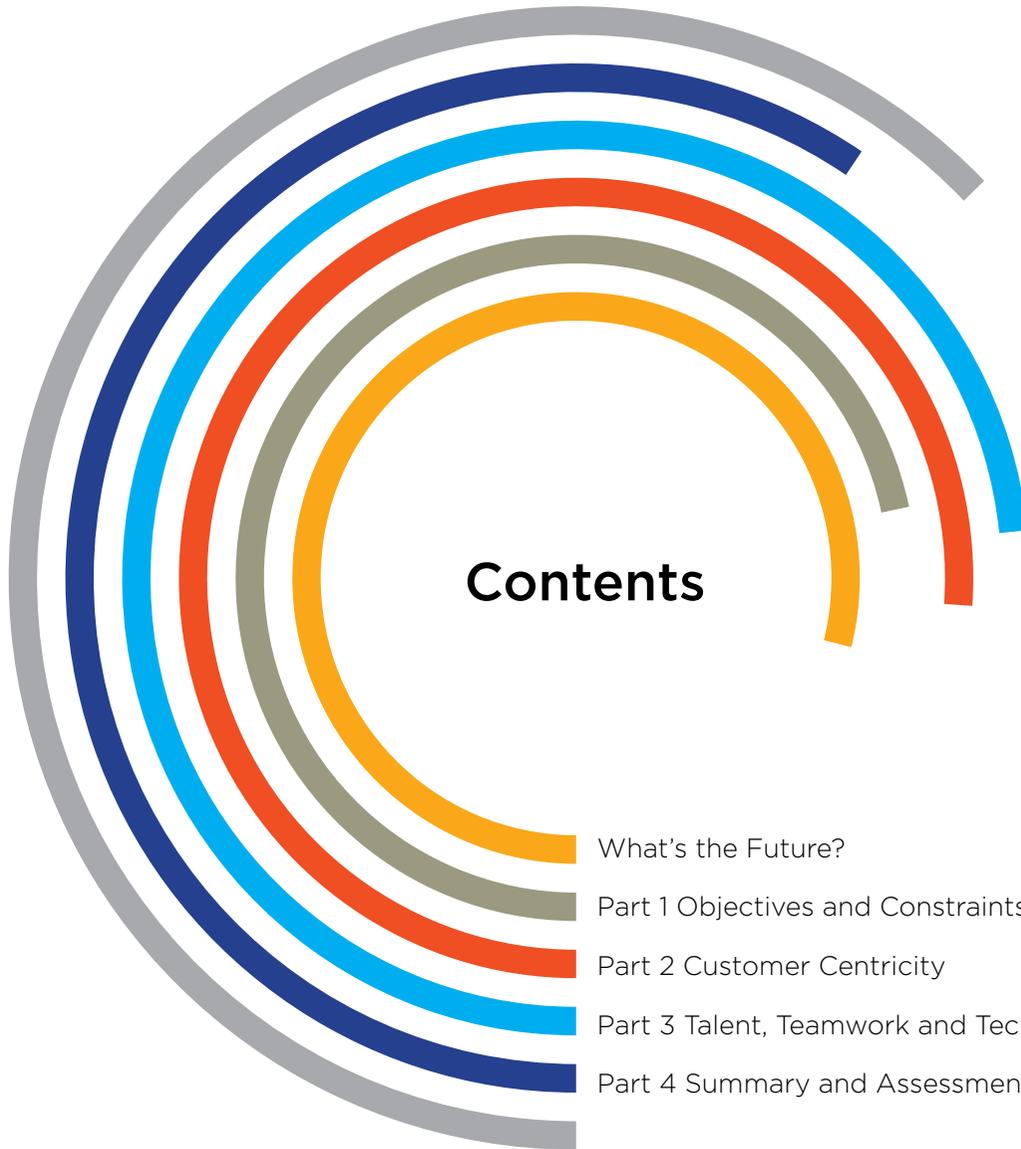


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Customers

The word "Customers" is written in a white, cursive script on a black background. It is enclosed within a decorative border made of pink arrows. The arrows are arranged in a scalloped, cloud-like shape around the text, with several arrows pointing inward towards the word. The overall style is hand-drawn and artistic.



Contents

What's the Future?

Part 1 Objectives and Constraints

Part 2 Customer Centricity

Part 3 Talent, Teamwork and Technology

Part 4 Summary and Assessments

Page 01

Page 07

Page 19

Page 49

Page 59



What's
the Future?

This year's eleventh edition of the **supplychainforesight** survey is titled: "The Rise and Fall of Customers and Companies."

In the past, companies mass-produced products in anticipation of sales. In today's information-enabled, highly competitive global economy, we have entered the era of the empowered consumer whose higher expectations are driving demand for customisation. Companies who are prospering are those companies that truly understand their markets and the individual needs of each customer or customer segment. The world has shifted from supply to one of demand, creating the rise of customer power and influence away from the dictates of the suppliers.

More educated, more empowered and with much greater influence, consumers are creating complexity and greater competition for all companies and supply chains. Change and the fast pace at which it is accelerating is forcing companies to come up with a new game plan. Success and growth is being achieved by those companies that recognise, respond to and manage the ever changing demands of markets and customers faster than others. Companies and brands risk being overtaken by smaller or more agile competitors when an innovative and customer-centric approach is not adopted.

The 2014 **supplychainforesight** survey explores the perceptions South African business leaders have of Customer Centricity, what impact it has on companies, how they are adapting to the shift in consumer power and how they are realigning their supply chain strategies and business models to meet customer expectations.

"Businesses that successfully combine value-creating customisation with cost-effective delivery outperform industry peers two-to-one in revenue growth and generate profit margins 5 - 10% above their competitors." (booz&co The Customer-Centric Organisation)

Respondents' profile

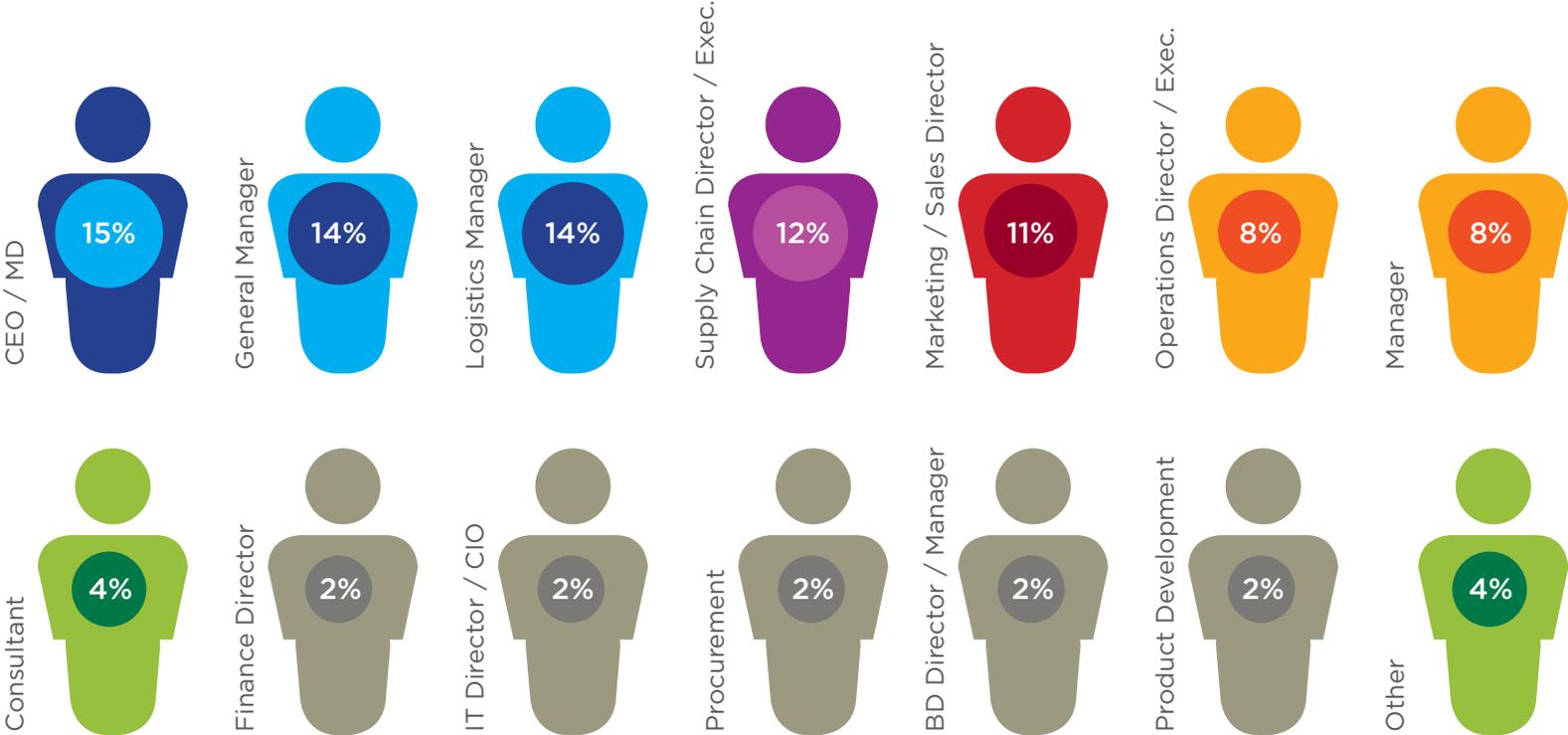
The seniority of the respondents to this year's **supplychainforesight** survey continues to show the strategic relevance of supply chain management in today's business environment.

The data analysis shows that 66% of all respondents hold C-level, director or general management positions across various business functions.

The majority of the rest of the respondents hold either managerial or consultant positions.

The widespread representation of respondents across all industries is an indication that supply chains play an increasingly integral role in virtually all types and sizes of businesses.

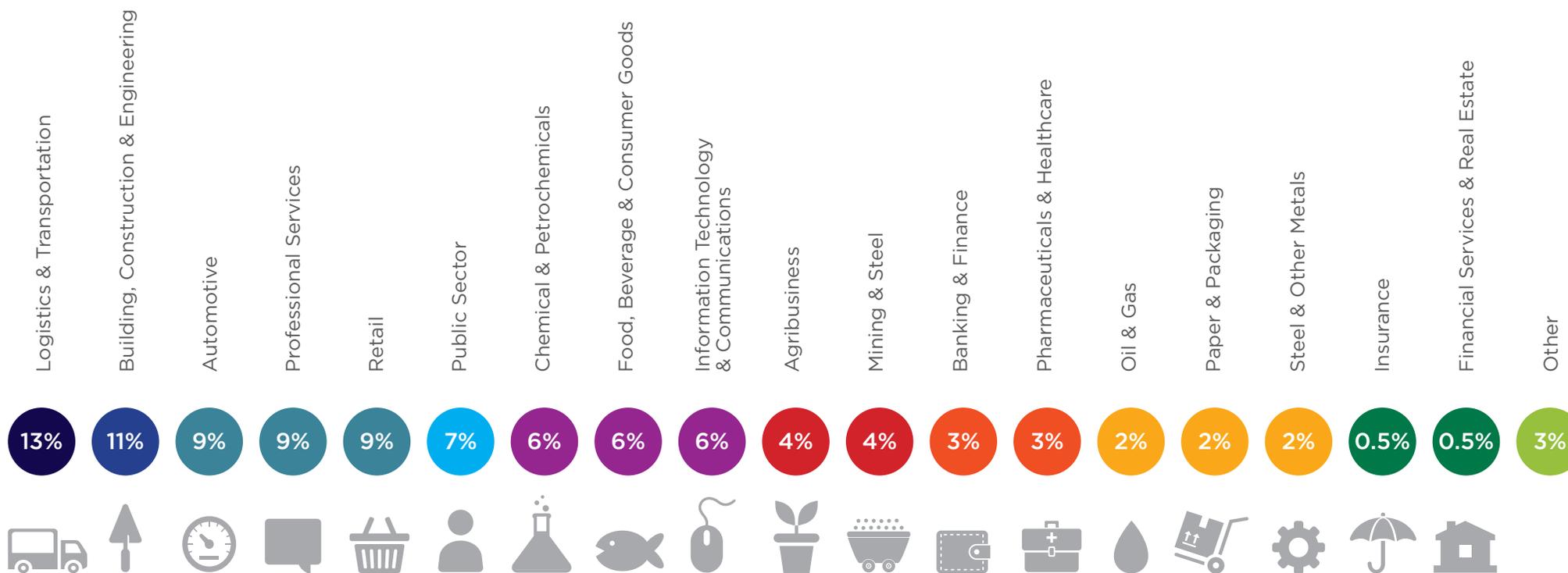
Respondents' profile by job title



Respondents' profile by industry

In today's world there is a far broader range of activity in industries and services resulting from specialisation and segmentation. We have highlighted in this report the more traditional industry sectors but believe the future will begin to show the increasing importance of the diversity within industry sectors as well as the creation of many new industries and businesses whose inputs become important.

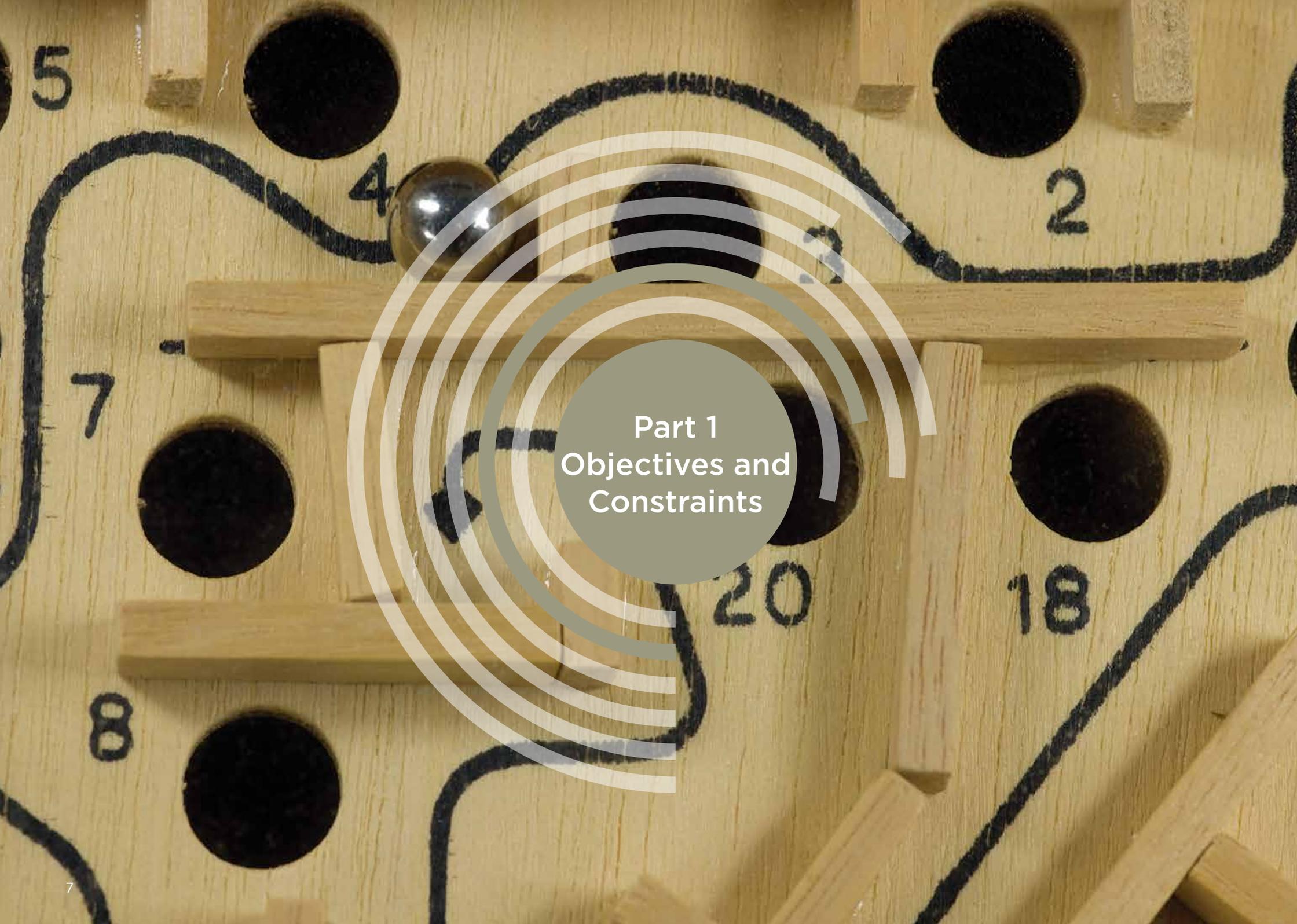
The likes of online giants such as Amazon and telecommunication companies such as MTN and Vodacom are examples of business models that are changing the way we work and creating a paradigm shift in business. Much of the change is driven by customer and consumer demand as well as increased global competition. Such developments highlight the importance of Customer Centricity as key to future success.



Size of respondents' companies by annual turnover

The respondent sample gives important context to the data analysis in terms of overall responses as well as to diverse sectorial views, opinions and strategies. The chart also reflects the move of supply chain management to centre stage in nearly every industry and market segment.



A wooden board with a maze-like pattern of black lines and circular holes. A small metal ball is positioned on the board. The board is marked with numbers: 5, 4, 2, 7, 8, 20, and 18. A central graphic consists of several concentric, semi-transparent white circles. The text 'Part 1 Objectives and Constraints' is centered within the innermost circle.

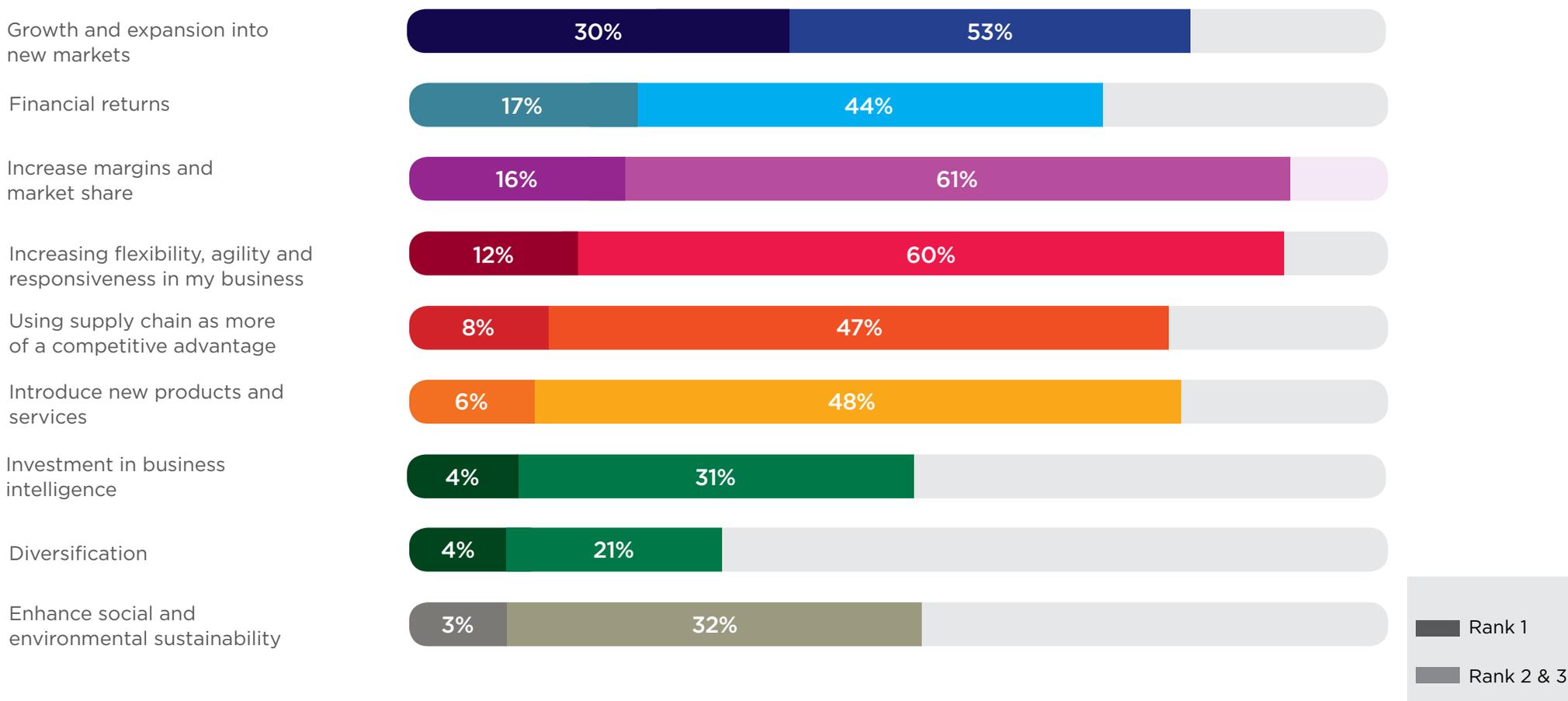
Part 1
Objectives and
Constraints

Each year the **supplychainforesight** report tracks the strategic business and supply chain objectives and constraints in South African organisations. By surveying strategic business and supply chain planning over the medium term we are able to gain a view from respondents of what market conditions, opportunities and challenges they expect to encounter in the future.

Strategic business objectives

The top ranking strategic business objective for all respondents is growth and expansion into new markets, which has moved up from fifth place last year. The second top ranking objective in terms of first choice is financial returns, which is a new entrant into the top five ranking. These top two objectives show the desired strategic outcomes of respondents whereas the remainder of responses indicate the supporting tactics necessary to achieve them.

Respondents' ranking of top five key Strategic Business Objectives



With the rise of competition from both local and international companies and the general global economic slowdown, companies are looking for new growth opportunities and markets, especially if they believe they have captured their fill of the local market.

The third and fourth ranking objectives namely, increasing margins and market share, and enhancing the flexibility, agility and responsiveness of a business are fundamental benefits of supply chain optimisation, which are supported by the fifth objective of respondents looking to use their supply chain as more of a competitive advantage.

Investing in becoming more customer-centric could potentially open up new markets for companies without having to expand into new territories. Engaging their customers more effectively, understanding their needs and increasing the agility, flexibility and responsiveness of their supply chains to deliver on these insights are all crucial steps to becoming more customer-centric.

In response to the question as to what their main areas of activity are in Africa, 72% of respondents indicated that their companies operate predominantly in the SADC region, but cite poor physical infrastructure, difficulty in finding local partners, high levels of bribery and corruption and the lack of availability of skills as the key constraints to expanding into Africa. As a result, there is a greater need to form smarter partnerships and target niche markets if companies want to achieve their top business objectives and enjoy financial returns.

For companies to grow and expand into new markets and generate greater financial returns they will need to be more flexible, agile and responsive to changes in the market place. Smart supply chains based upon business intelligence, internal and external integration and key partnerships facilitate being close to, understanding and meeting the needs of chosen customers and consumers.



Of particular note is the diversity of tactics adopted by some key industry sectors to achieve their business strategies. A high level of importance was given to the introduction of new products and services by both the automotive and IT and communications industries, whereas retail respondents said their top focus areas were on increasing margins and market share and using the supply chain to greater advantage.

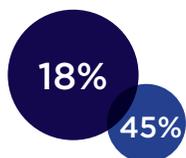
Strategic business constraints

The talent war and skills crisis rises to the fore again. Respondents ranked the lack of relevant skills and talent as their number one strategic business constraint. This is a major shift from previous years. With the education system of South Africa under increasing scrutiny, there is a clear gap between relevant qualifications and skills that are marketable in the workplace.

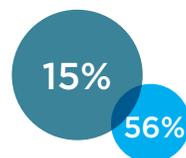
The skills issue is a worldwide phenomenon that will not be resolved in the short term and is being addressed by many through outsourcing or forming partnerships with those with specialised skills. There has been a proliferation of small to medium business enterprises to meet the growing demand for specialised services and functions that add value and alleviate the impact of the skills shortage.

Respondents' ranking of top five key Business Constraints

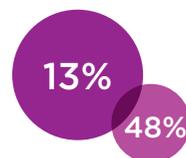
Lack of relevant skills / talent



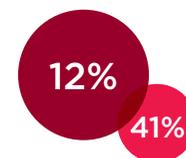
Cost of doing business



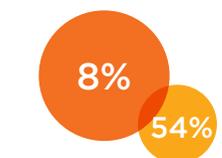
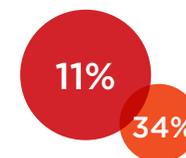
Rising competition



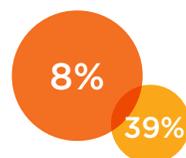
Currency volatility



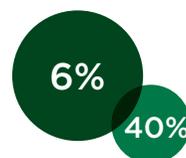
Labour unrest



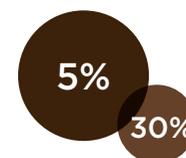
Changing market dynamics



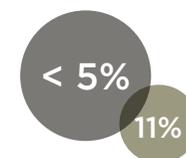
Lack of ability to anticipate change and adapt quickly



Predicting customer demand



Inability to change fundamentals



Over-investment in fixed assets



The cost of doing business remains a top constraint for respondents. Currency volatility (the next ranking constraint), the weakening rand, frequent fuel hikes and the new road toll systems in Gauteng are some of the factors that are probably influencing this selection by respondents. The cost of doing business impacts the competitive advantage South African companies have against global competition.

Respondents ranked rising competition as the third most important constraint to their business, which is creating the need to diversify or create areas of competitive advantage. The building of value adding benefits into products and services is essential for survival and growth.

Where product, service delivery or added value advantages are not easily established, organisations that are able to manage their costs effectively and efficiently will have a distinct advantage over their competitors. As identified by respondents in the next section of the report, the creation of “value” for customers is ranked higher than “price”, with the sole exception of commodity based services or products where the differentiation of offerings and a competitive advantage is more difficult to create or obtain.

The challenge of changing market dynamics is a fast growing and ever evolving issue. It creates market complexity and requires organisations to plan and carefully select which segments they wish to serve and can serve well. Focused specialisation or value-added benefits are needed to develop and sustain a competitive advantage. Being all things to all people is clearly replaced by an era of customised solutions to meet specific customer needs.



Industry highlight:

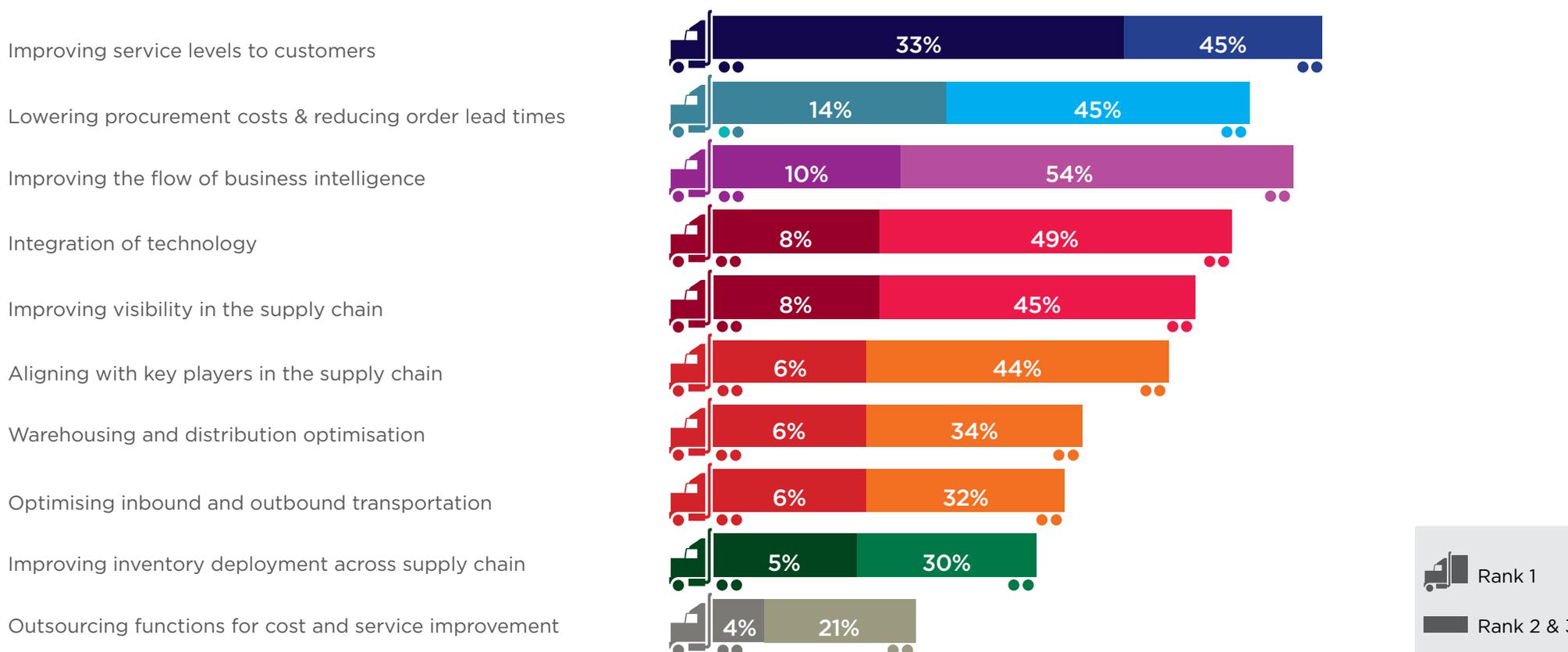
The industry sector data shows the variance in respondents' views to constraints that specifically affect them. Currency volatility and labour unrest are of paramount importance to the automotive industry whereas rising competition is the key constraint for the IT and communications sector. Each industry sector needs to come up with solutions that are specific to their industry as well as specific to the various markets segments they serve.

Strategic supply chain objectives

Over the last four years, respondents to the **supplychainforesight** survey have indicated the necessity of aligning the supply chain strategy to the business strategy to drive success. In this report there is a clear correlation between the two with the supply chain being viewed as an integral strategic and tactical component.

Improving service levels to customers remains respondents' key strategic supply chain objective for the third year in a row. It also ranks as the top priority in comparison to other objectives. Similar to the strategic business objectives, the remaining supply chain objectives would all contribute to enhancing service levels to customers.

Respondents' ranking of top three key Supply Chain and Logistics Objectives over the next 5 - 10 years



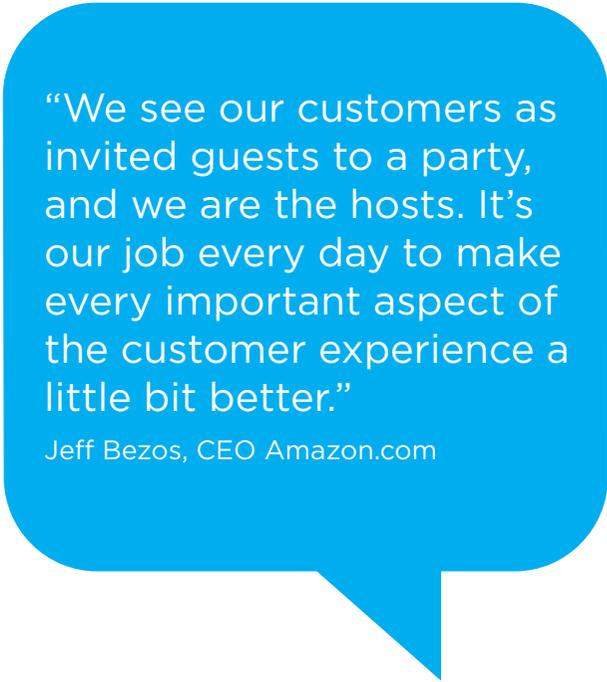
Improving customer service levels, lowering procurement costs and reducing lead times highlight the need for supply chains to be efficient, effective and dynamic in order to better serve the end customer. As these remain the top objectives, this is perhaps indicative of the fact that companies continue to struggle to address these important issues.

Service levels are a clear focus of attention, but as shown throughout this survey, customer service starts with identifying the needs that can be satisfied by your product or service. Ensuring you deliver what is needed requires redefining “customer service” by alignment internally and throughout the supply chain to ensure the customer promise is fulfilled each and every time.

Of particular interest (shown in the next section of the report) is that only 23% of respondents’ supply chains are geared to capture critical customer information and business intelligence that will enable improved service delivery. Improving the flow of business intelligence as an objective is an indication that businesses have recognised the need to move away from silo-based functional activity and business models. Integrating and aligning all business functions from within is enabling businesses to align day-to-day operations and business units with strategic business objectives, creating efficient, empowered organisations.

Improving visibility throughout the supply chain remains a top objective. As businesses become more integrated both internally and externally with key suppliers and service providers, supply chain visibility will naturally increase. There is recognition that supply chains vary according to the needs of the product, service or customer and each supply chain requires effective alignment, integration, management and visibility in order to sustain the levels of customer service demanded today.

Business intelligence is a growing need across all industry sectors. Technology, skills and talent are required to analyse information to convert it into reliable intelligence from which business strategies, tactics and decisions can be made. This is becoming a vital area of advantage for those who get it right.

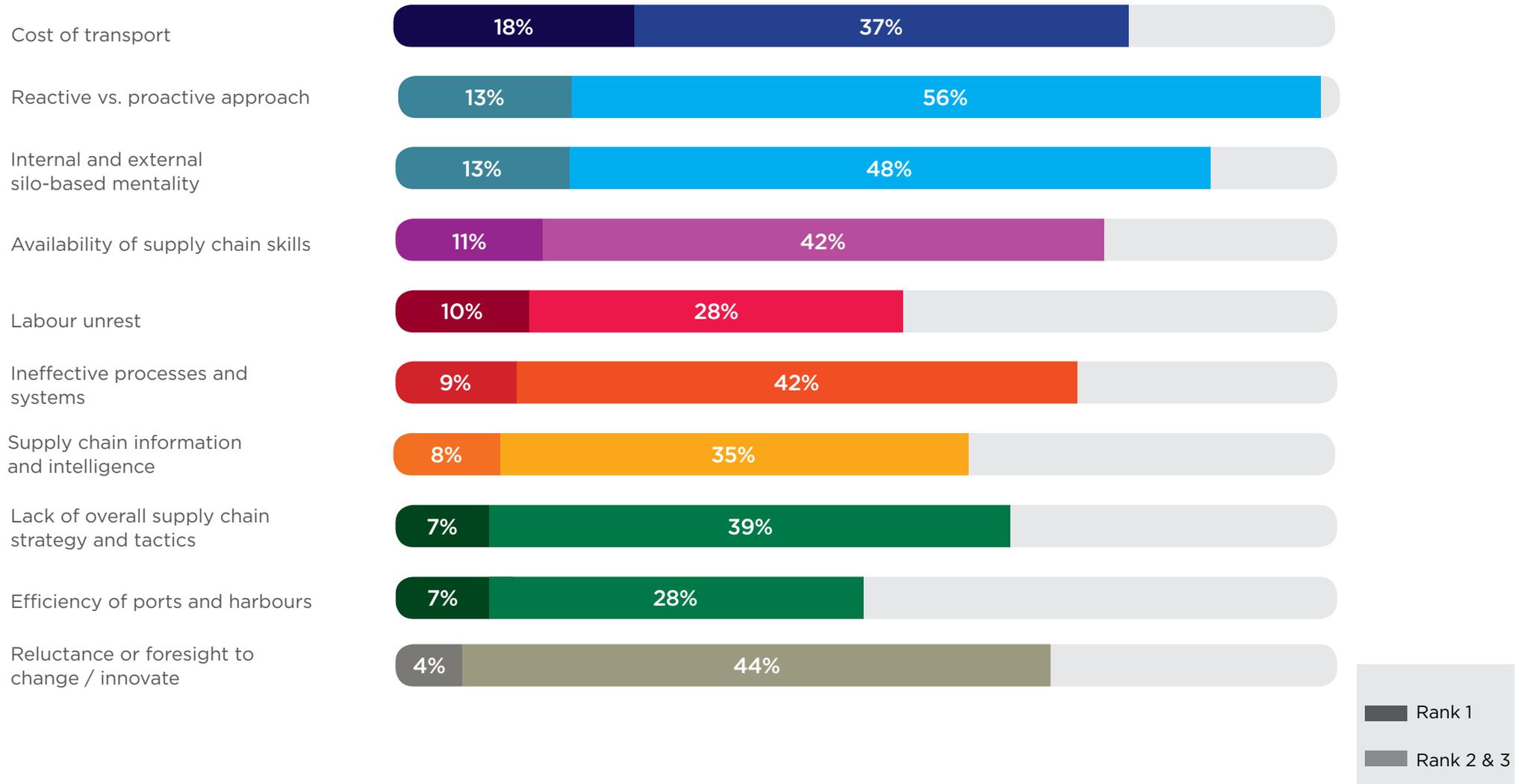


“We see our customers as invited guests to a party, and we are the hosts. It’s our job every day to make every important aspect of the customer experience a little bit better.”

Jeff Bezos, CEO Amazon.com

Strategic supply chain constraints

Respondents' ranking of top five key Supply Chain and Logistics Constraints over the next 5 - 10 years



Respondents ranked the cost of transport as the top supply chain constraint again this year. Transportation costs typically make up at least half of the total supply chain cost for South African businesses and are therefore understandably a focus area.

However most of the input costs to transport as well as some of the other constraints of labour unrest and the inefficiency of ports and harbours are out of the control of individual businesses or industries. But it does continue to highlight an opportunity for differentiation and enhancement for those who creatively find solutions to minimise the impact of this constraint and turn it into a competitive advantage.

There are many solutions companies can implement to mitigate the risks and costs associated with these constraints such as network optimisation, product design, and new supplier sources or partnering with specialists who have the expertise to assist with such challenges.

The joint ranking second supply chain constraints are a reactive versus proactive approach and the internal and external silo-based mentality of business. With the speed of change and the dynamic global environment, companies have fallen prey to a reactive business strategy just to stay in the game. Both these rankings reflect on the culture of organisations and the need to adapt their business models and change the way they work to remain competitive.

Labour unrest remains a concern for many respondents across most industry sectors. Some of the next listed constraints namely, availability of supply chain skills, ineffective processes and systems and the reluctance or foresight to change and innovate are new and indicate some of the challenges companies are facing in implementing their strategies, specifically with regards to becoming more customer-centric. These can and must be managed to sustain profitability and growth into the future.

The approach of simply reacting to market changes as opposed to anticipating customers' needs and aligning business objectives is no longer sustainable and companies are looking for new strategies and tactics to build long-term relationships with customers.



When looking to adopt a more proactive approach, accurate forecasting and demand planning was seen as vital by respondents in previous years. Forecasting and planning abilities have improved to a degree, but in the volatile business environment of today there is a limit to which you can get forecasting right without either an under or over supply. Today's thinking is to move to a business model that is more agile, flexible and responsive to changes in demand, technologies, products, exchange rates and other variables.

The overall assessment of the respondents' views to their constraints leads to the issue of managerial and supply chain skills as well as the lack of appropriate and effective processes.

The skills shortage affects management as well as all other levels of the business environment and is an added burden on the shoulders of management and leadership teams.

The highest ranking constraints relate directly to management and their ability to affect changes to meet the requirements for a proactive business mindset. This includes the ability to affect internal change by breaking down silo-based structures in favour of creating new business models and an integrated, aligned company.

The Top Line

Part one of the report highlights the respondents' views of their objectives and constraints in a dynamic business environment where they need to continuously create new opportunities and solutions to retain or gain a competitive advantage.

Whilst many of the same business objectives and constraints from previous years appear, new ones have emerged and others have moved higher or lower in ranking dependent on respondents' views of the impact of changes on their organisations.

In this report we see a greater identification and focus on strategies and the related tactics necessary to achieve the objectives. The alignment of supply chain strategies to business strategies is more readily seen as being essential and companies are beginning to identify and achieve the benefits of a coordinated approach.

The move to segmentation and specialisation of the market is requiring customised solutions for individual industries and individual players within those industries. This in turn creates a more fragmented and complex marketplace, where a one-size-fits-all approach is no longer a valid formula for sustainable success.

The recognition of the swing towards the power and influence of customers is challenging traditional business models. Improving customer service is clearly seen as the most important objective from a supply chain perspective and aligns well with the leading business objectives of growth into new markets and gaining market share with increased margins. This highlights the relevance of Customer Centricity as integral to businesses of the future.

An aerial, high-angle photograph of a busy pedestrian crosswalk. The crosswalk is marked with thick yellow stripes on a grey asphalt surface. Numerous people are walking across the crosswalk, their figures slightly blurred due to motion. In the center of the image, there is a large, semi-transparent orange circle. Inside this circle, the text "Part 2 Customer Centricity" is written in white, sans-serif font. Surrounding the orange circle are several concentric, semi-transparent white circles of varying radii, creating a ripple effect. The overall scene is a busy, urban environment.

Part 2
Customer
Centricity

In today's competitive environment, Customer Centricity is not aspirational – it is essential. Achieving a genuinely customer centred business is not easy, but with the right focus, tools, alignment and support, any organisation can get there.

Respondents to the **supplychainforesight** survey have rated improving service levels to customers as their key supply chain objective for three consecutive years. This was one of the factors influencing this year's research theme. We felt it was important therefore, to include a definition of "Customer Centricity" to distinguish it clearly from the perceptions of "customer service", and to set the scene for this section and the report as a whole.

There are a variety of definitions of customer service, but the concept has traditionally been focused on the provision of services to customers before, during and after a purchase. It typically refers to the point of sale and after sales service activity performed by those who have direct contact with a customer.

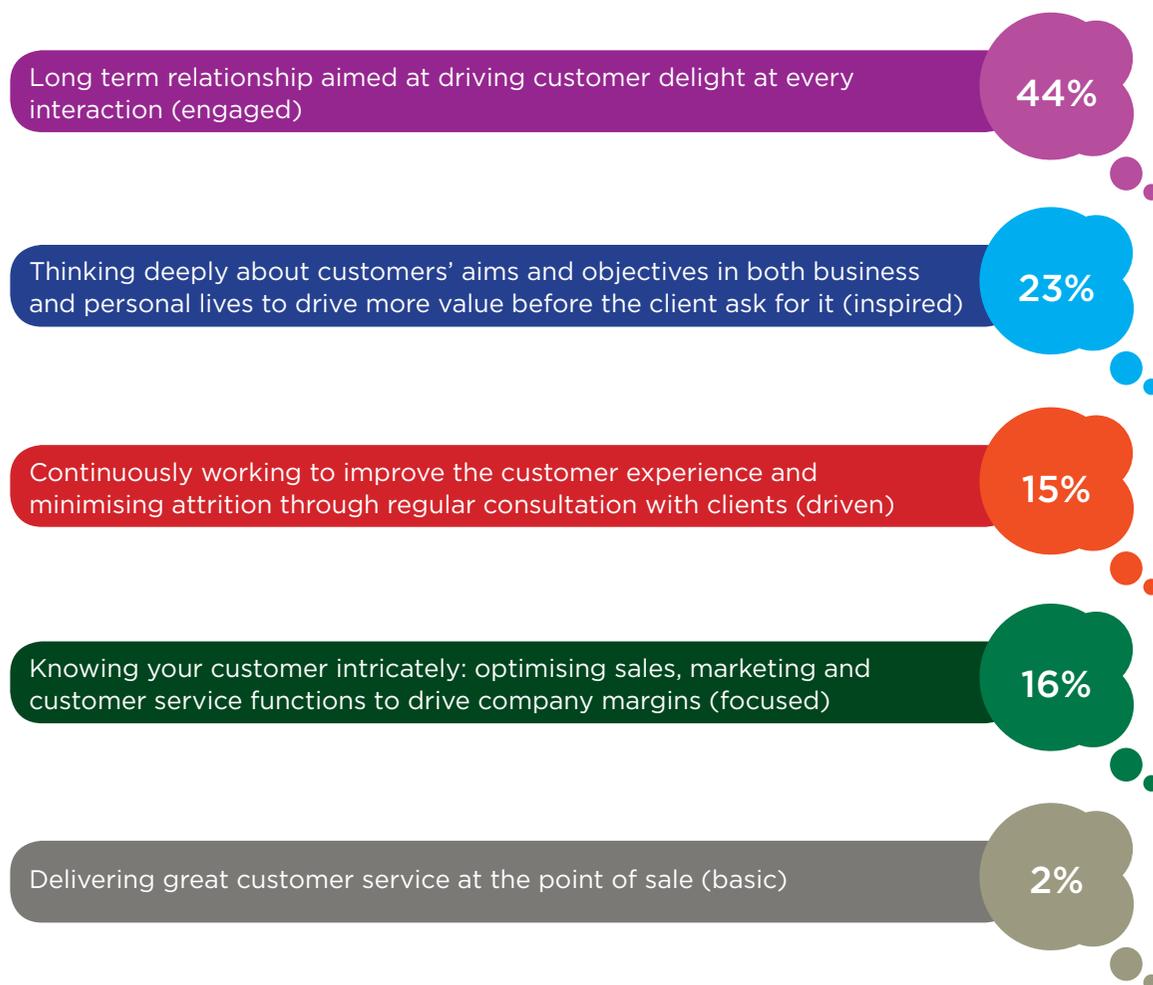
Whilst customer service remains vitally important, it is the ability to anticipate and provide the right product or service to the right customer at the right price, quality and time that creates value for that customer. Customer Centricity defines new standards of customer service in today's highly competitive world.

Customer Centricity along the supply chain ensures all key functions of the company, its suppliers, service providers and other business partners, are focused on providing and satisfying or creating a specifically identified customer need.

“Customer-centric organisations have moved beyond lip service and restructured their entire operating model around the customer. These companies understand not only what the customer values, but also the value the customer represents to their bottom line. Aligning operating models and tailoring business streams, they deliver the greatest value to the best customer for the least cost.”

(booz&co The Customer-Centric Organisation)

Respondents' understanding of Customer Centricity



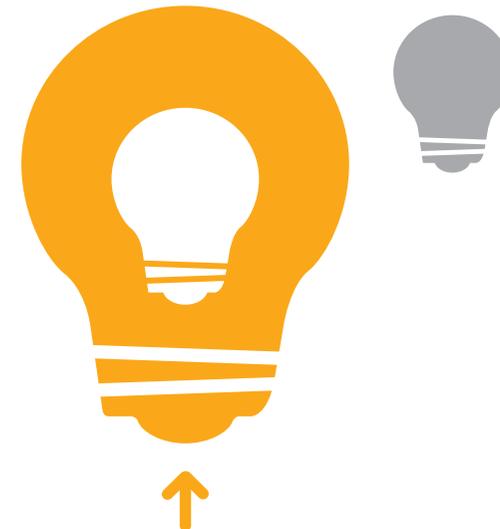
It is encouraging to see the respondents' view of Customer Centricity. The shift from customer service to Customer Centricity clearly shows that the understanding of Customer Centricity as a concept in South Africa goes far deeper than simply offering good service. To be truly customer focused, an organisation must reach and sustain a high level of intimacy with its customers, understand their needs and be fully engaged in delivering in line with their customers' requirements.

Traditionally most organisations were equipped to treat customers as a set of discrete, unrelated transactions over time. As a result, these companies had little insight into what motivated the customer to buy their product or service in the first place and even less information about his or her needs and aspirations moving forward.

Respondents to the survey consistently reflect a strong desire to become more customer-centric and show an appreciation of the valuable returns of Customer Centricity to a business. Nonetheless, the survey also reflects that South African businesses are in a period of transition and that there are many hurdles and difficulties on the road towards Customer Centricity.

“Know what your customers want most and what your company does best. Focus on where those two meet.”

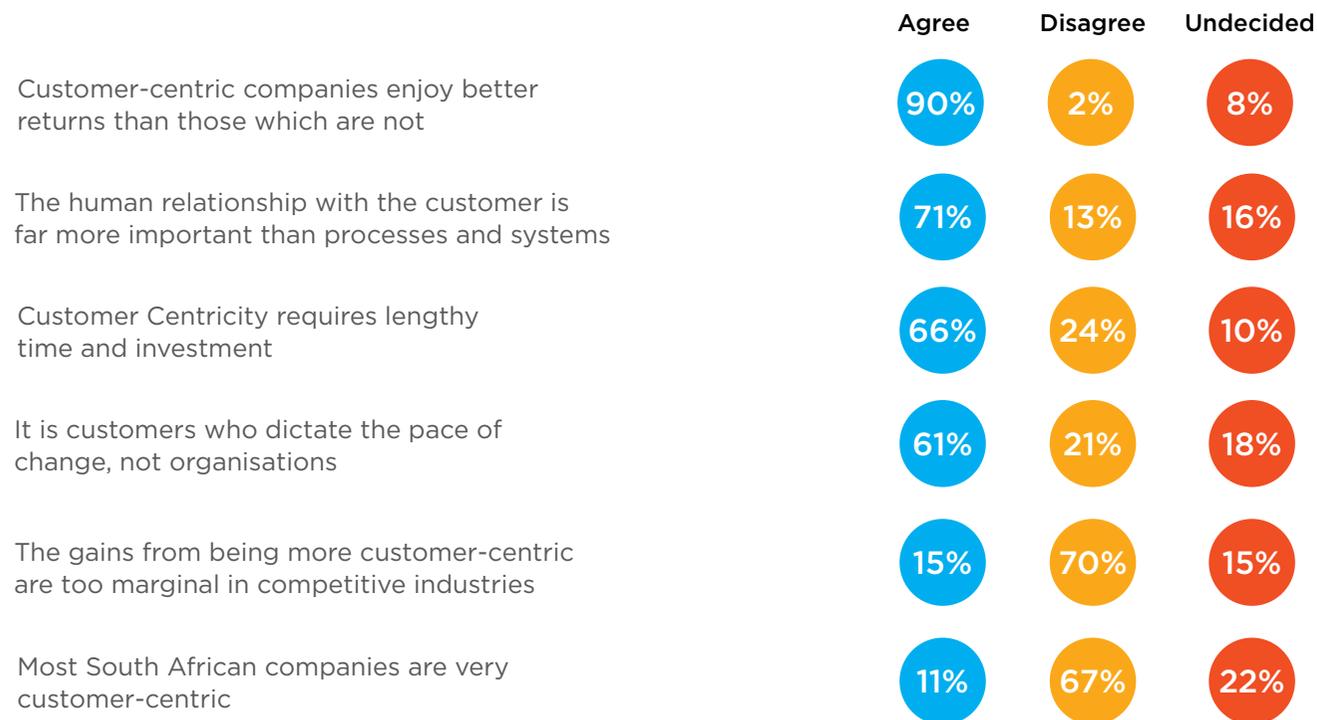
Kevin Stritz, Digital Marketing Expert - SEO at FindLaw, a Thomson Reuters business



Industry highlight:

Whilst there is a general consensus across almost all industry sectors, response from the building and construction sector is at a variance primarily because of the nature of once-off contract work and the focus on satisfying short-term related issues. This different view of priorities also reinforces the concept that each industry has differing needs for which they need to find and develop customised solutions.

Respondents' perception towards Customer Centricity



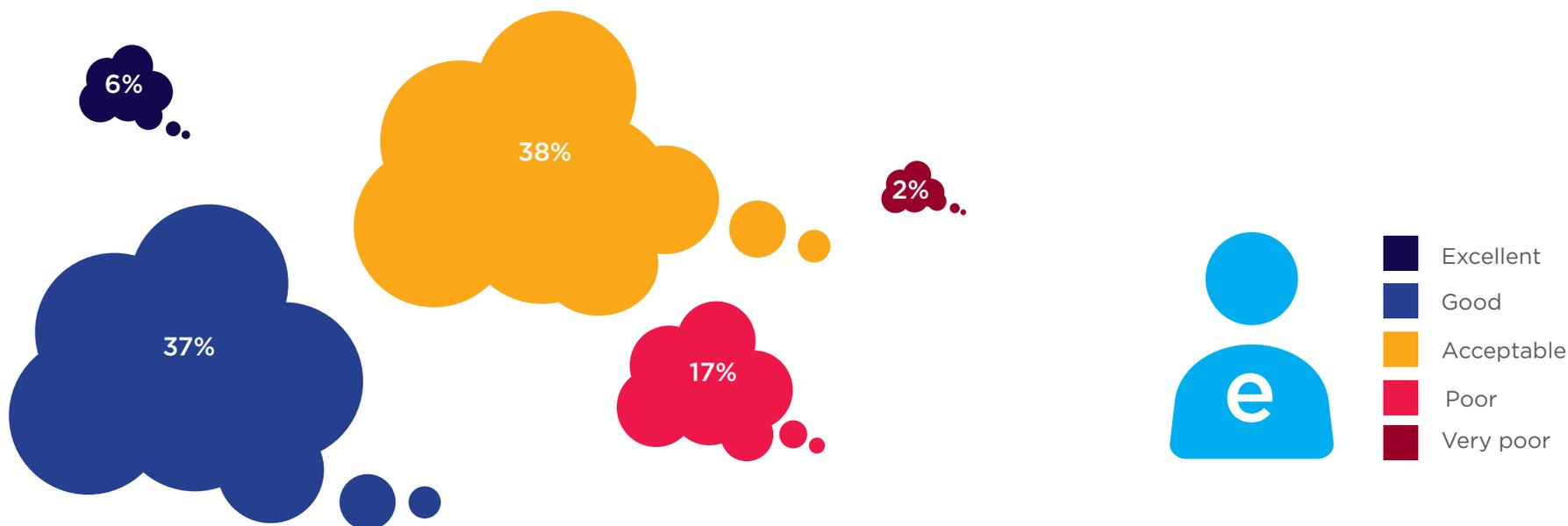
67%

67% of respondents feel that not many South African companies are getting Customer Centricity right.

Despite acknowledging the benefits and importance of Customer Centricity, 67% of respondents feel that not many South African companies are getting it right. This critical view of South African businesses points to a disconnect between understanding what is good for business and being able to deliver on it.

There is a clear indication from respondents that although companies agree that Customer Centricity has huge financial gains for any business, there is a perception that it is costly and time consuming to perfect. Based upon the clearly identified value to be derived, ways and means need to be found to address this opportunity in a cost effective and efficient manner.

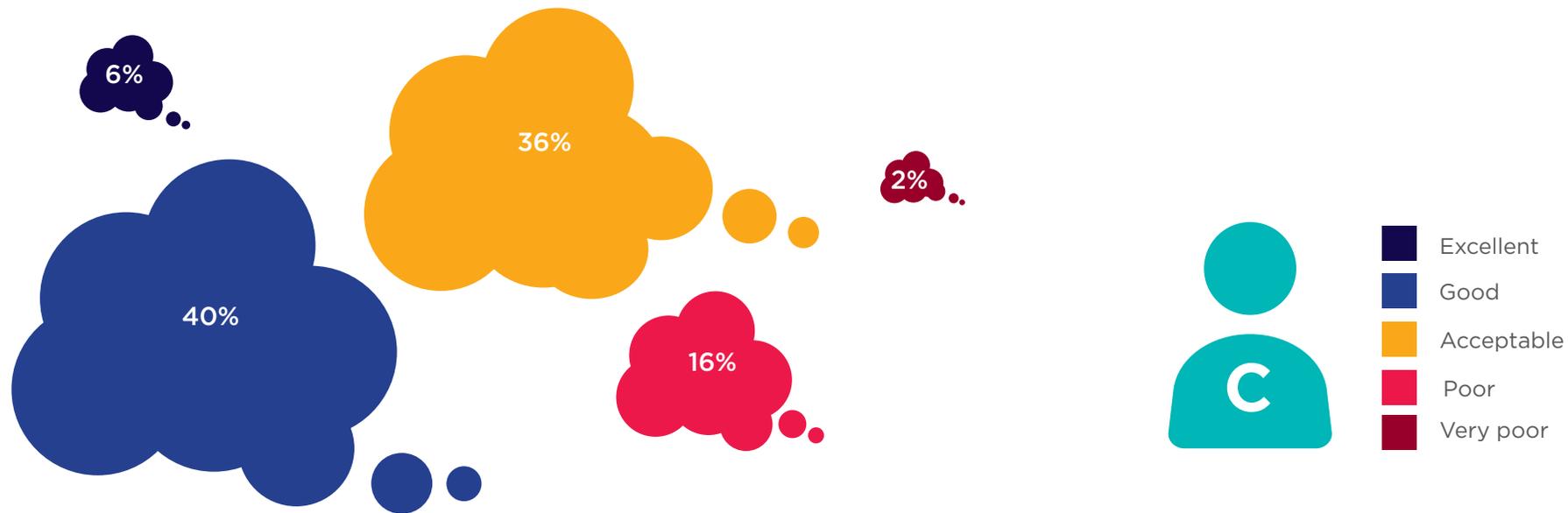
Respondents' perception of how their employees view Customer Centricity in their own organisation



Overall there is a sense by respondents that employees of their companies view the company's approach and level of Customer Centricity as acceptable to good. However, very few consider their companies excellent at embracing Customer Centricity. The high proportion of "acceptable" would perhaps indicate a potential lack of understanding the tangible benefits to be derived from increasing the perception and reality to "good" or "excellent" for both the company and the customer. Interestingly, the retail and FMCG industry respondents (the two largest customer-facing industries) rated their Customer Centricity the worst.

"Loyal customers don't just come back, they don't simply recommend you, they insist that their friends do business with you." Chip Bell, Founder Chip Bell Group

Respondents' perception of how their customers view their company's level of Customer Centricity



When asked how respondents thought their own customers would rate their organisation in terms of Customer Centricity, only 46% of respondents believe their customers would rate their level of Customer Centricity as good or excellent.

Whilst the perceptions of employees align with those of customers there are some sectors of respondents that reflect anomalies. For example the customers of the public sectors, steel and retail industries reflect a degree of customer dissatisfaction whereas employees do not think so. FMCG however is the reverse where their employees perception is worse than their customers.

These responses indicate there is a low belief that there is a level of excellence in any industry, which conflicts with earlier views reflecting the high need and importance of Customer Centricity. This highlights that there is general acceptance of the need but there is a lack of understanding of how to implement a broadly accepted requirement for business success today.

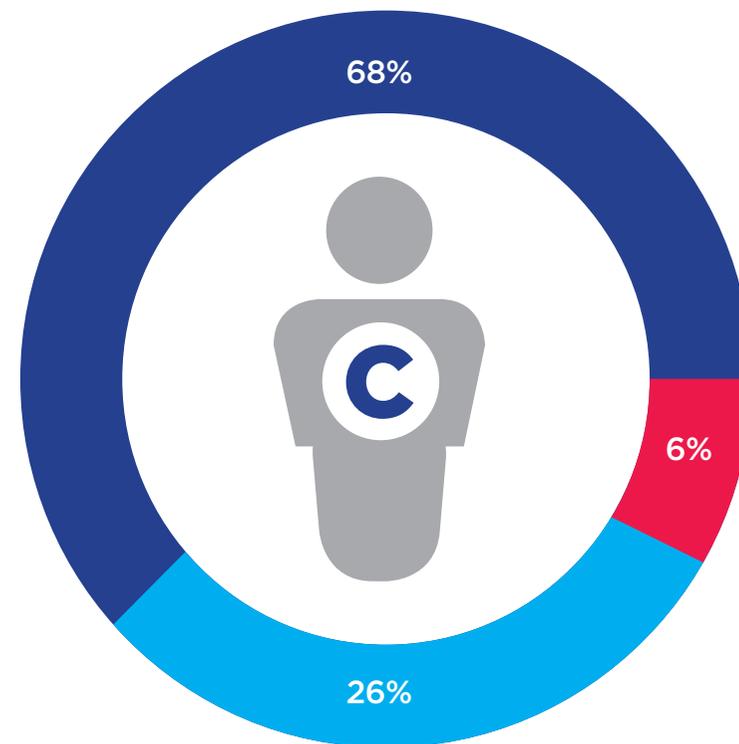
Respondents' perception of engagement with customers to improve or deliver sufficient Customer Centricity

The majority of respondents (68%) believe they engage with customers sufficiently. There seems to be a disconnect between what companies think versus what they actually deliver or how they see South African companies performing in this area.

Asking customers the same question would provide greater insight into this issue along with asking if the level of engagement is value adding. Whether we engage customers effectively appears to be a question still to be answered.

“A customer is the most important visitor on our premises, he is not dependent on us. We are dependent on him. He is not an interruption in our work. He is the purpose of it. He is not an outsider in our business. He is part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us an opportunity to do so.”

Mahatma Gandhi



- Yes, the engagement is sufficient
- No, the engagement is not sufficient
- Don't know

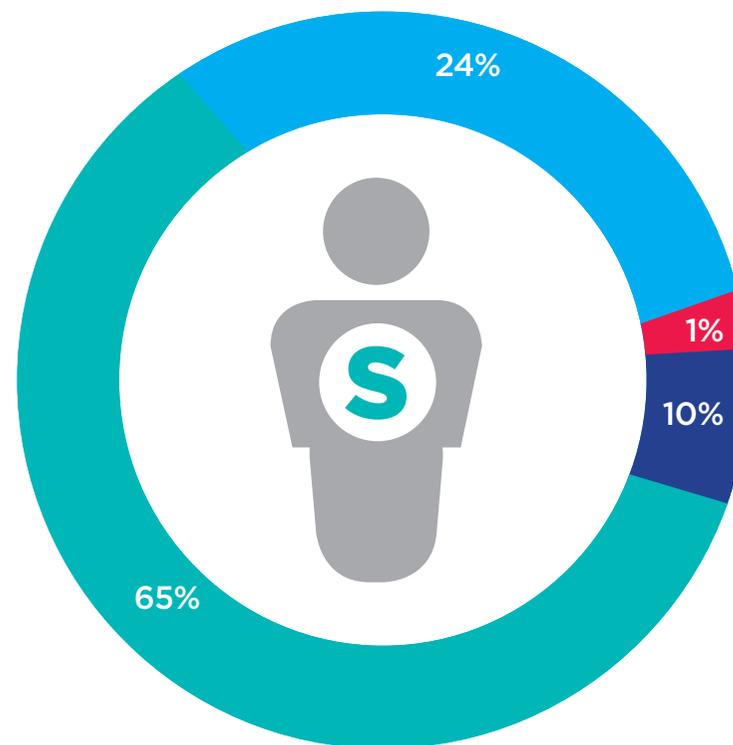
Respondents' perception of how customer-centric their suppliers are

The theme of perceived average to good levels of Customer Centricity continued when respondents were asked if they felt that their own suppliers fully supported their needs by being customer-centric towards them as a customer. Only 10% of respondents felt their suppliers addressed their needs. By far the largest percentage of respondents indicated they are either receiving little or no value from their suppliers in aligning their Customer Centricity strategies.

The chart to the right reflects the extent of an underlying issue of supply chain integration, which highlights the untapped opportunity of partnerships or close relationship of key players in each supply chain. Concerns over commitment, trust and confidentiality still pervade and in many instances such opportunities are not adequately pursued.

In a globalised, complex business world, the strength of relationships up and down supply chains is becoming more prevalent. The growing trend of smart partnerships highlights a change to relying on external parties to provide some of the skills necessary to ensure the development and delivery of products and services that meet specific customer needs.

The levels of trust in and strength of relationships is about both parties understanding the needs of the other and finding ways to be aligned for the benefit of both. The traditional approach of arm's length relationships with suppliers is fast becoming a practice of the past.



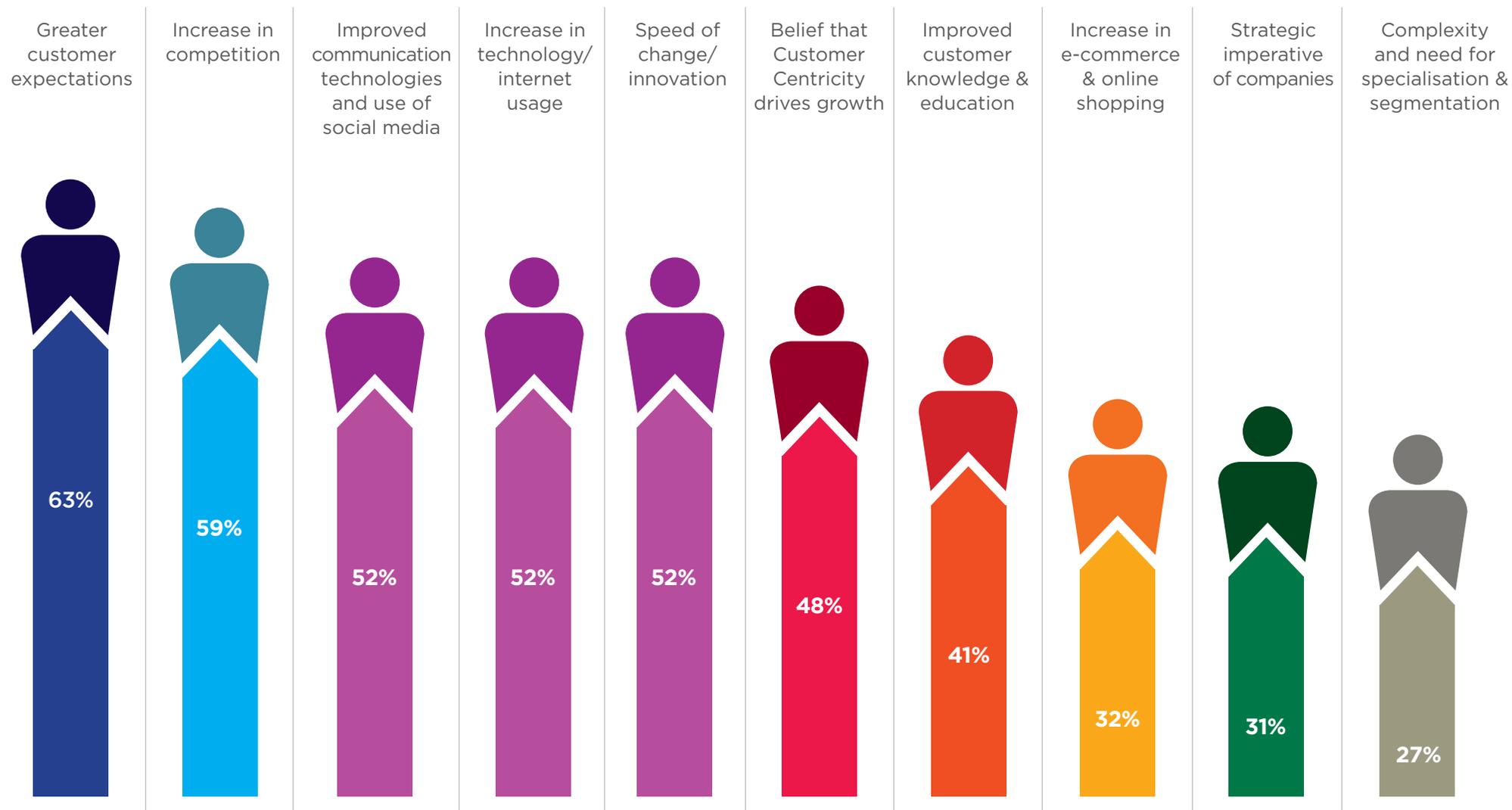
- Yes, the engagement is sufficient
- Somewhat
- No, the engagement is not sufficient
- Don't know

10%

Only 10% of respondents felt their suppliers addressed their needs.

Customer Centricity Drivers

Respondents provided an interesting view on what they believed to be the top three key aspects driving companies to become more customer-centric



Globalised markets, advances in technology and a variety of new communication tools have assisted in educating and empowering consumers.

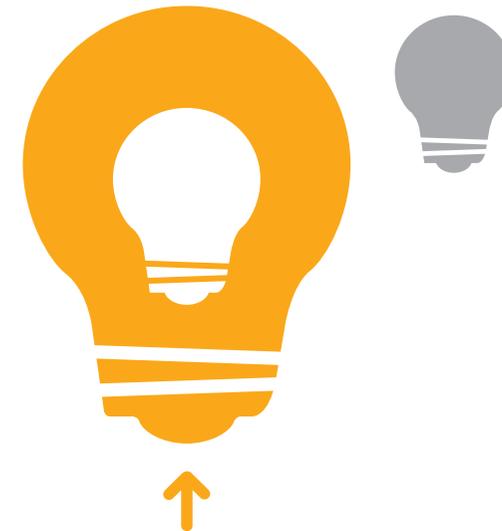
We are all customers in certain aspects of our lives. It is therefore not surprising that respondents view greater customer expectations and the increase in competition as the top drivers of Customer Centricity. The better we understand our customers, the more effectively we can anticipate and deliver on their needs.

The increase in technology has created a more sophisticated customer. One unhappy customer now has the power to share unsatisfactory experiences with a large population at break-neck speed. As a result, companies are no longer able to control their brand perception and maintain customer loyalty. They need to deliver on their brand promise always, without question. If they don't, there is nothing stopping the customer from exercising their options by going somewhere else.

One would think though that the lower rated drivers of complexity and the need for specialisation and segmentation as well as the strategic imperative of some companies would also be core drivers. If you understand your customers' strategies and future complexity, you will be able to anticipate and become more flexible and agile maybe even trading off certain service offerings or activities.

“In the world of Internet Customer Service, it’s important to remember your competitor is only one mouse click away.”

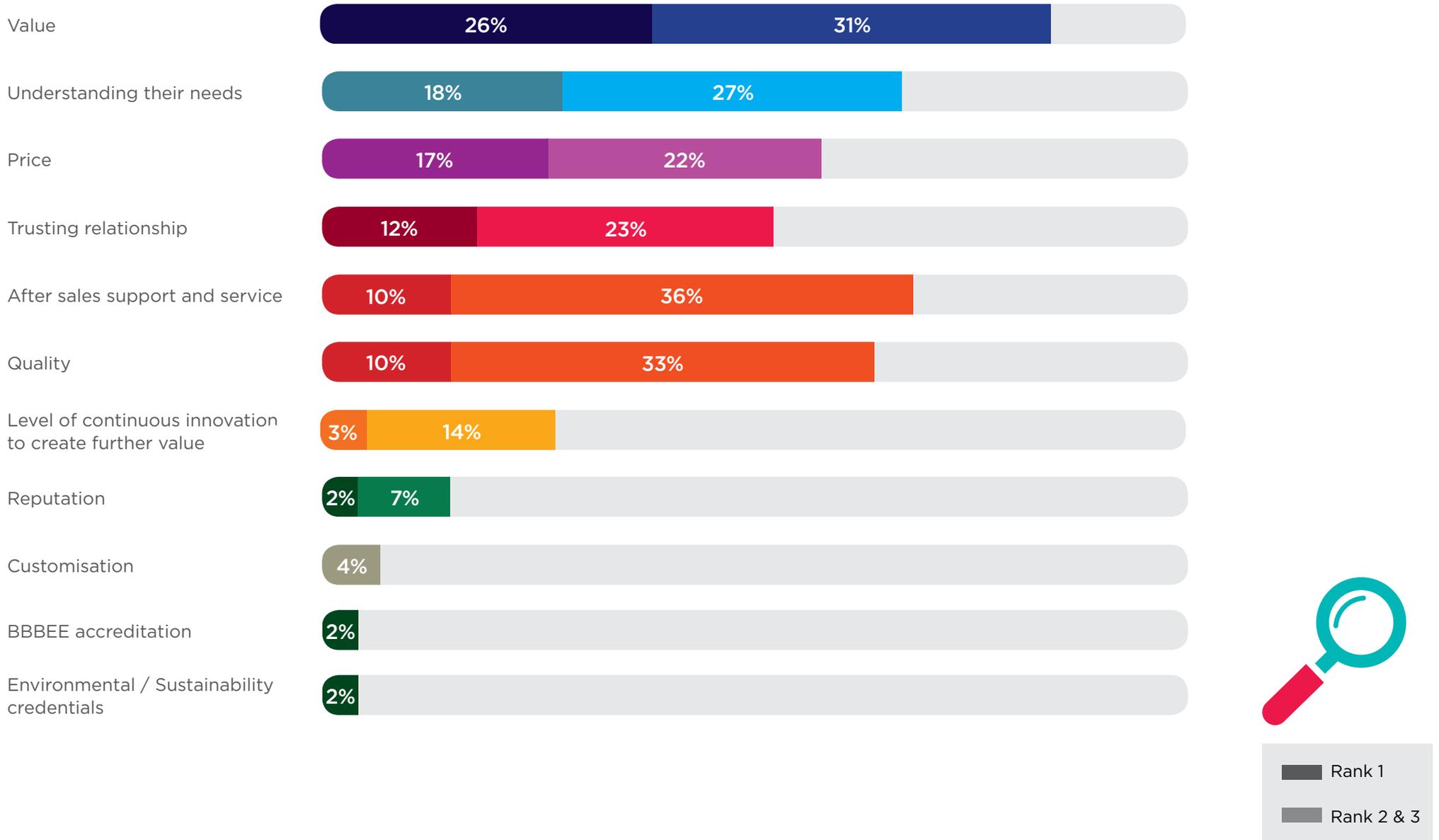
Doug Warner, Co founder of Gaia Web Design, Technologist and Adventurer



Industry insights:

Perceptions of respondents from the automotive industry reflect a mature industry where Customer Centricity and supply chain and logistics alignment are essential. As an industry they set the standard for South Africa to follow. Mining and steel and public sector respondents rated similarly high customer expectations with the latter being most understandable.

Respondents' perception of the top three aspects customers value most



Respondents ranked value to be of the utmost importance to customers, which is a vast contrast to traditional views that price matters most. Understanding customers' needs was ranked second by respondents. The benefit to be gained by differentiating or adding customised value will change many of the price sensitive markets into one where value plays a greater part. Invariably with costs still being top of mind across the board, price will always remain an important factor but is used more as a measure of value. Price becomes an issue when there is no perceived value differentiation in a product or service that is seen to be readily available or where the importance of the value offered is not seen as relevant.

Respondents also ranked a trusting relationship as important, which aligns with creating an environment where you can engage closely and more strategically with customers in order to gain greater insight into their world. It is interesting to note that the level of continuous innovation to create further value, together with environmental and sustainability credentials, were both ranked low. The theme for last year's survey was innovate or die and respondents widely acknowledged that in order to maintain or gain a competitive advantage, a company needed to continually innovate and improve its products or services.

Innovation or the creation of new products and improvements without understanding or correctly anticipating what market needs are, is short lived. With small windows of opportunity for a product or service advantage 'Serial innovation' has become essential. Gone are the days of uniqueness backed up by patents as a sustainable protection against competition.

Respondents do not rank environmental and sustainability credentials as being of importance to customers. However over the last few years, "green supply chains" and environmentally sustainable solutions have been rising on companies' agendas, especially when required to do so by customer demand or legislative compliance. With new environmental and carbon tax laws about to be implemented, this will most likely rise in terms of importance to customers going forward.

"Social media and unprecedented access to information, such as peer-to-peer product and service reviews, are giving greater power to customers, creating more informed and demanding customers. These experiences are shaping customer expectations across all sectors."

EYGM Limited, The journey towards greater customer centricity, 2013

The degree to which respondents agreed or disagreed with the following statements



To gain more market share, we need to highly personalise our value proposition



There is a high need for product / service differentiation in my industry



Customers mainly select suppliers on price alone



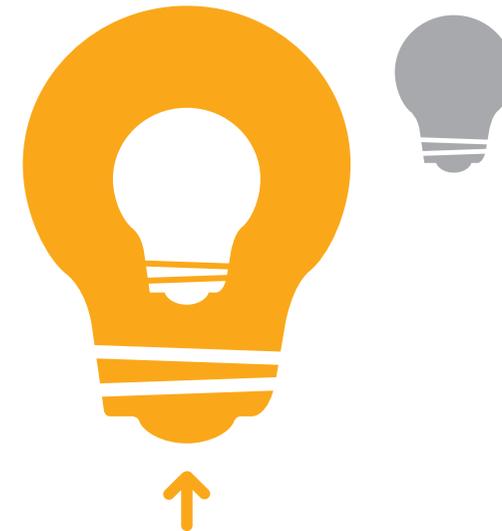
- Strongly agree
- Agree
- Undecided
- Disagree
- Strongly disagree

“We see our customers as invited guests to a party, and we are the hosts. It’s our job every day to make every important aspect of the customer experience a little bit better.”

Jeff Bezos, CEO Amazon.com

Personalised value propositions are clearly seen as being akin to product and service differentiation. The customisation of products and services has created its own complexity in businesses today and the one-size-fits-all philosophy of the past is no longer relevant. As reflected earlier, customers are more discerning today in that they want value and a price that is determined by the value received.

Where price remains a competitive issue it invariably refers to products or services where no discernible difference is recognised and price becomes the only variable of determining value.

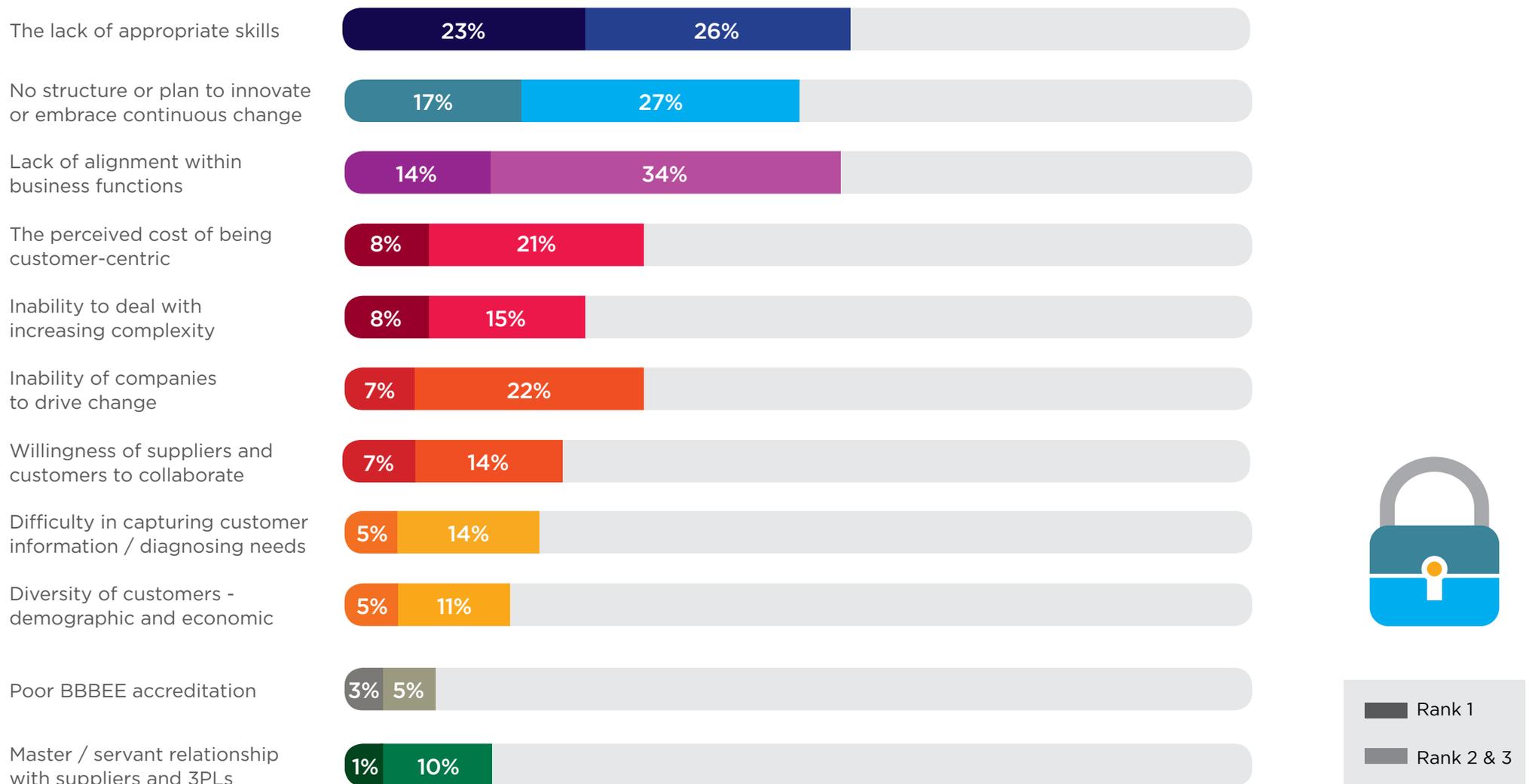


Industry insights:

Those respondents who refer to price as being a selection criterion of customers are either in a commoditised market where product and value differentiation is limited or they have yet to create the value proposition for their product or service that meets a need of the customer or customer segment. This is more relevant to the respondents in the building and construction industry than those in the automotive industry.

Constraints to achieving Customer Centricity

Respondents have shown a deep understanding of Customer Centricity and the value that it can create for a company, however there is clearly a big disconnect between theory and reality - it was important therefore to find out what respondents thought was constraining South African companies in becoming more customer-centric.



The lack of appropriate skills and out-dated, silo-based corporate cultures were selected as the two biggest constraints to Customer Centricity. This once again highlights the importance of the need to have the right skills and competencies at all levels of business in South Africa. Ineffective or non-existent change management programmes hinder the shift from silo-based management to integrated organisations. It would perhaps indicate that many companies are simply stuck in the traditional way of doing things. The lack of leadership, vision or entrenched comfort zones do not create a compelling reason to change. Yet respondents are recognising that business as usual is no longer the way to survive in a competitive world.

The challenge in addressing these issues requires time, skills and resources to effectively change the way the business runs, which is probably why we have seen a steady increase in outsourcing and partnering with companies who offer such specialised skills and programmes.

The use of consultants and specialised organisations is a fast growing phenomenon. Gone are the days of only outsourcing commodity-like activities that are not seen as key to the business. Increasingly, the outsourcing of key elements of a business where such skills are difficult to attract or keep requires new thinking. The principle being adopted in today's world is forming mutually beneficial smart partnerships to fast-track innovation by enabling businesses to leverage the expertise of other organisations through gaining access to new products, insights and markets.



The two biggest constraints to Customer Centricity: the lack of appropriate skills and out-dated, silo-based corporate cultures.



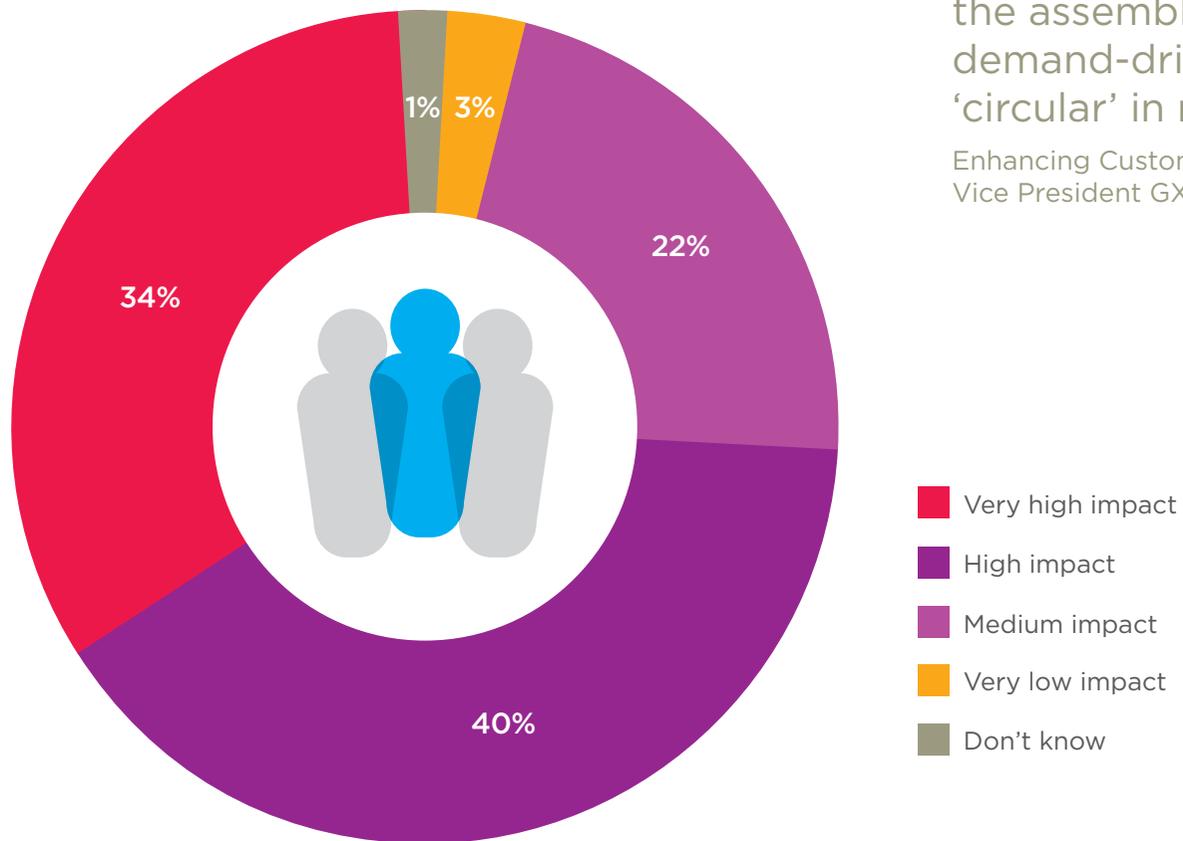
Customer Centricity and the supply chain

Customer Centricity is an integral element of every supply chain. Its success relies heavily on the alignment, integration and coordination of many external organisations, processes and people. The ability to align these components of the supply chain requires a unified approach to ensure the final product or service satisfies customers' needs.

The following section attempts to uncover the extent to which the principles of effective supply chain management are being applied and to determine the value created through Customer Centricity while analysing the extent to which supply chains themselves create and enhance Customer Centricity.

Respondents' perception of how their supply chain drives Customer Centricity

Over 70% of respondents indicated the importance of supply chains in achieving Customer Centricity, which shows a high-level understanding of the strategic role supply chains play in driving business strategy.



“Suppliers are moving from a ‘push’ supply chain built around the needs of the assembly line to a customer-centric, demand-driven model that becomes ‘circular’ in nature”

Enhancing Customer Centric Supply Chains, Steve Kiefer, Vice President GXS

Respondent's perception towards the supply chain and Customer Centricity



Customer Centricity cannot be achieved without a supply chain strategy focused on delivering customer value



The supply chain function is seen too often as a way of managing logistics rather than being core to customer strategy



Supply chains are enhancing Customer Centricity



Companies struggle to manage the complexity required by the rise of e-commerce and online shopping



Supply chains are adapting to accommodate a rapidly changing business environment



Environmental and sustainability issues are low on the agenda of the supply chain function



■ Agree
 ■ Undecided
 ■ Disagree

It is encouraging to see that 92% of respondents agreed that Customer Centricity cannot be achieved without a supply chain strategy focused on delivering customer value. Whilst the role of Customer Centricity relies heavily on supply chains to deliver value, the chart on the left also reflects some interesting perceptions. The most noticeable one is the level of agreement that the supply chain function is too often perceived as a means of managing logistics. Whilst supply chain management is effectively an overriding business strategy, logistics is primarily the tactics used to implement such a strategy.

Complexity is ranked quite highly as an area of activity respondents are finding difficult to manage, because it comes in various forms. This includes the increase in e-commerce, which has given rise to more home deliveries. It also involves the segmentation of markets, a greater array of products, models, brands, tariffs and business models, all of which increase complexity. Complexity and change are part of a new interconnected consumer world. They are realities that have to be recognised, embraced and addressed.

The customisation of products and services is probably one of the greatest influencers in today's marketplace. Business structures, methods, roles and responsibilities are constantly changing to deliver on customer needs. Teamwork, cooperation, collaboration, common goals and visions and shared responsibilities are calling for management structures of the future involving integrated management styles where change management plays a key part in building success.

The customisation of products and services is probably one of the greatest influencers in today's marketplace.

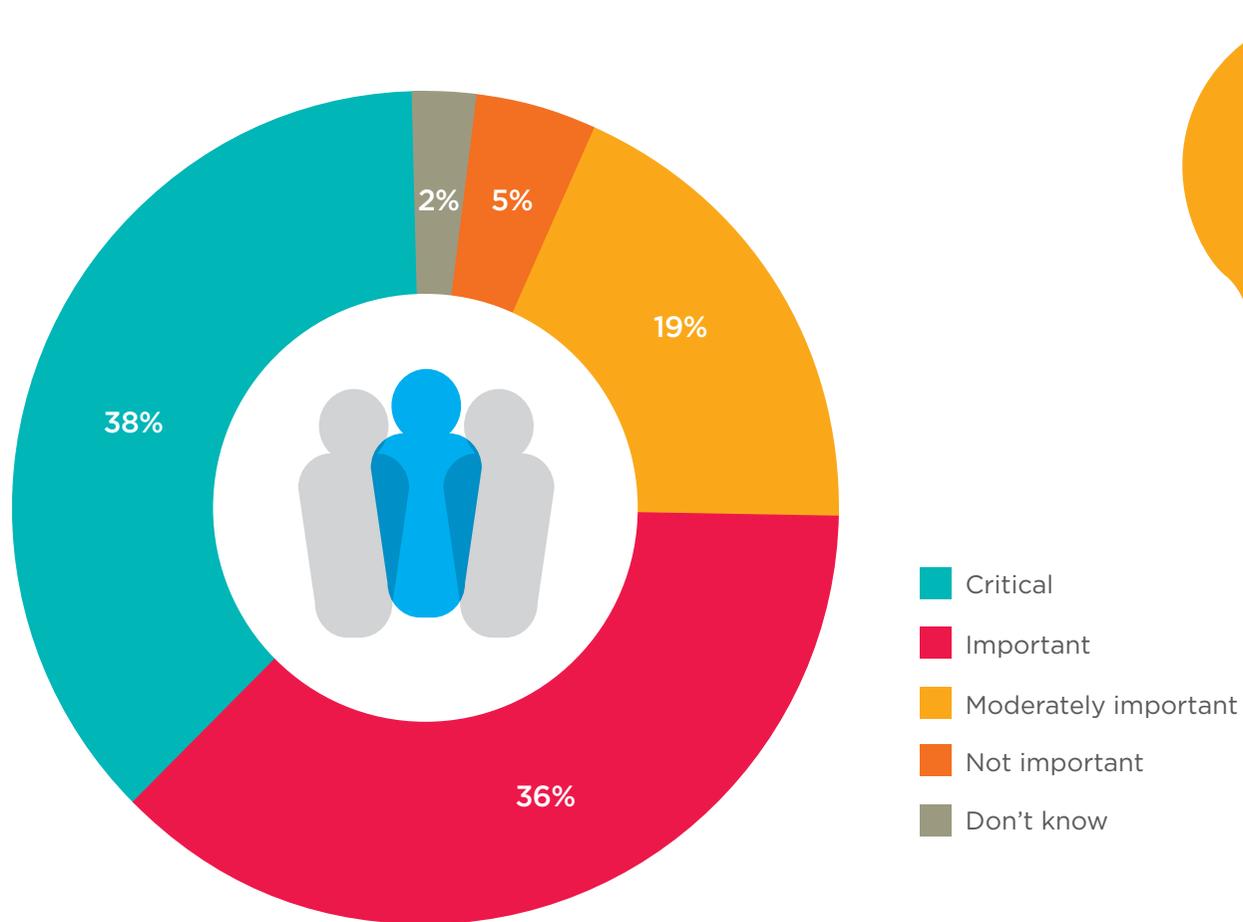
It's important to note that 61% of respondents are undecided or agree that environmental and sustainability issues are low on the agenda of supply chain functions. Primarily these matters are brought to the forefront when dictated by customers and consumer demand. Environmental issues appear to be addressed when seen as a value-generating opportunity or where there is a need to be reactive to pressures from external sources.

92%

92% of respondents agreed that Customer Centricity cannot be achieved without a supply chain strategy focused on delivering customer value.

The link between supply chains and Customer Centricity

The degree to which Respondents believe their leadership sees the supply chain as critical to achieving Customer Centricity.



The majority of respondents said their leadership teams and their companies viewed supply chain alignment as important or critical to achieving Customer Centricity. However, a fair portion of respondents either did not know, or thought the supply chain was not important or only moderately important in delivering on customer needs. This diversity of opinion may reflect on the nature of the individual businesses of the respondents rather than a consensus as to overall roles and responsibilities in an industry or business sector.

This continues to reflect the degree and extent of common understanding of the role of logistics versus that of supply chain management in the South African market.

Supply chain management recognises, identifies and integrates all the parties and functions, materials, products, systems, processes and services (internally and externally) of a business, that are necessary to meet the specific needs of the customer and consumer, in alignment with the overall business strategy. Logistics is the practical and operational means and tactics through which the movements of products, materials, information and funds move up and down the supply chain in line with the strategic supply chain and business strategy.

In many organisations supply chain management refers to the day-to-day management of the logistical activities, rather than the overall business strategy.

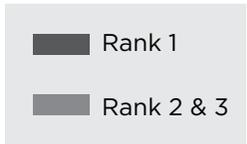
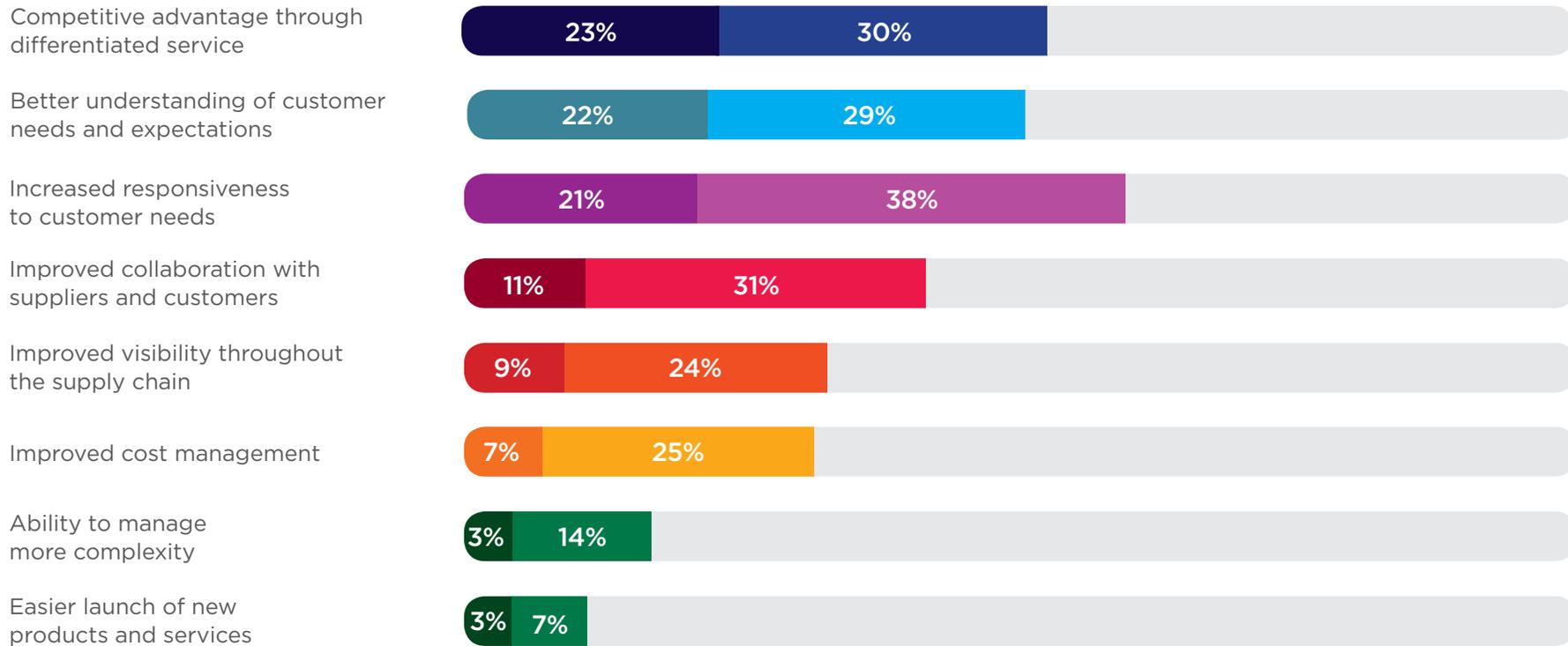


“The number one reason companies fail to shift from a product to a customer focus is the assumed cost and organisational complexity that results. A customer-centric organisation demands a new culture of collaboration. Tailoring solutions to customers’ ever-changing needs requires a level of co-operation across functions, across product and service lines, and across company boundaries.”

(booz&co The Customer-Centric Organisation)

Most important benefits of customer-centric supply chains

Respondents' perception of the top three benefits of a more customer-centric Supply Chain

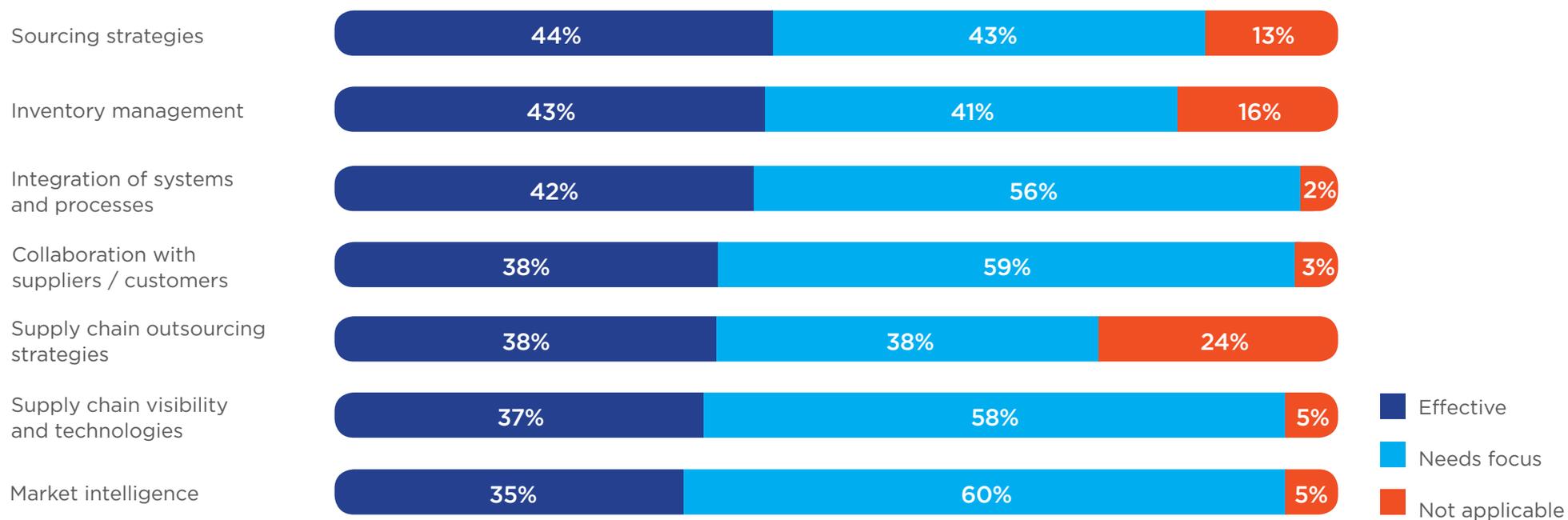


Combining the top three responses provides a refreshing observation of the benefits of a customer-centric supply chain. A better understanding of customer needs leads to an ability to respond to such needs, which in turn generates a competitive advantage. The other responses mainly relate to addressing the key components necessary to achieving the top three benefits.

Competitive advantage invariably creates improved margins and market share, improved financial returns, greater internal and external integration, and enhanced flexibility, agility and responsiveness to changing customer needs. These are the key benefits sought through a more customer-focused supply chain.

Respondents' perception of supply chain areas that need improvement

Which of the below logistics or supply chain areas in your organisation need improved focus to deliver better Customer Centricity?



The results from respondents again highlight a gap between what is needed and what is currently being achieved, showing a considerable number of areas of focus and improvement for companies going forward.

The top four areas for improvement are intrinsically linked to achieving better Customer Centricity:

1

Market intelligence is derived from close collaboration with suppliers and customers and gathering information and knowledge through enhanced visibility. Technology facilitates capturing and converting big data and information into business intelligence. Combined, these factors enable companies to connect with their customers in a new way.

2

Collaborating and working together with suppliers and customers enables businesses to better understand their customers' needs and deliver on them quickly and cost-effectively.

3

Integrating processes, systems, functions and departments is essential to achieving the common goal of responding to the needs of customers.

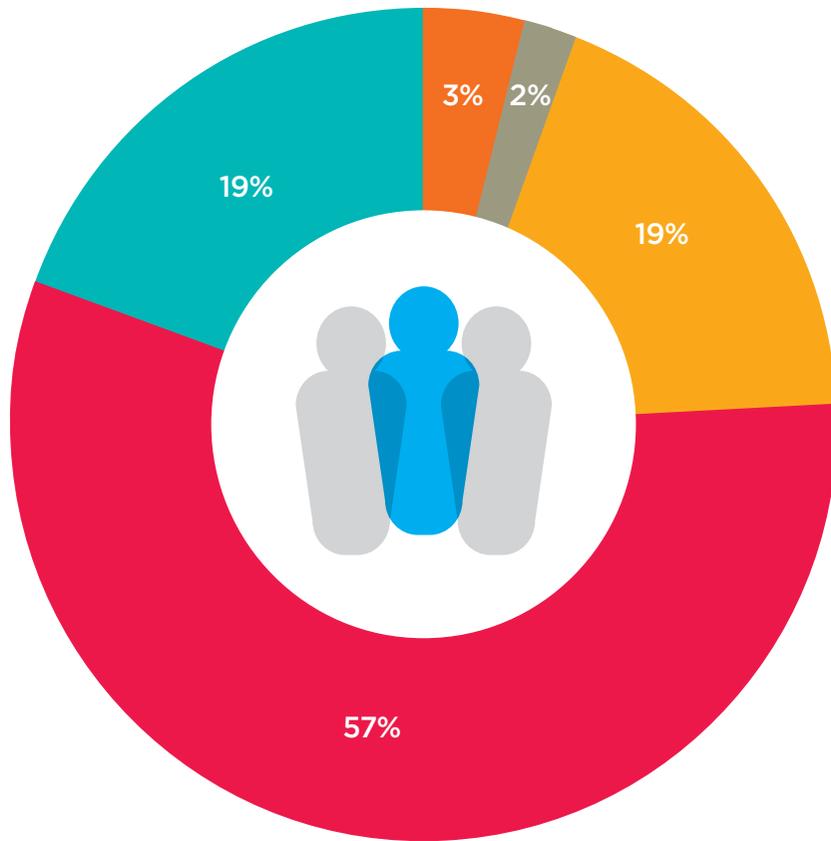
4

Whilst inventory management remains a key focus area it has been overtaken by the move to greater supply chain visibility and collaboration throughout the supply chain to enhance agility, flexibility and responsiveness.

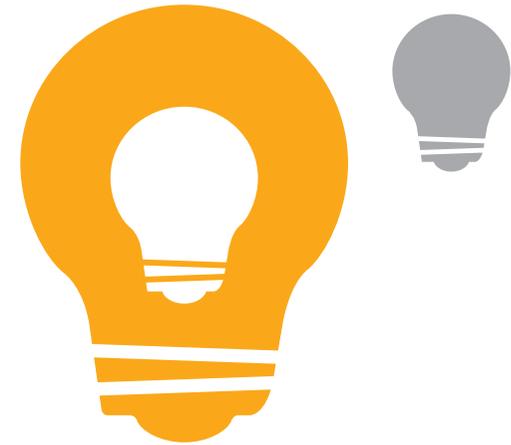


As mentioned earlier in the report, the importance of outsourcing strategies continues to grow, aligned with the skills shortage and the recognition that a single business trying to be best-in-class in all activities does not necessarily create the most competitive or effective business venture. It is anticipated that the level of partnering and outsourcing is likely to continue to grow over the years to come.

Respondents' perceptions of alignment of Measurement Systems to deliver Customer Centricity



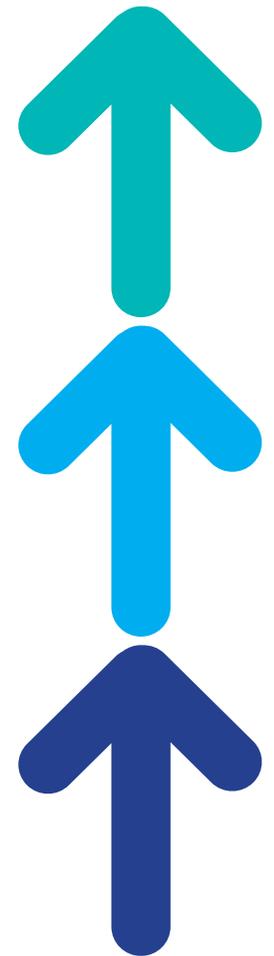
- Very aligned
- Quite aligned / need improving
- Not aligned
- They conflict with consumer centricity
- Don't know



The results shown on the left demonstrate an extremely high need for alignment across all industry sectors for the management and measurement processes required to ensure Customer Centricity at all levels and within all functions of a business.

Interestingly, only 19% of respondents said their systems are aligned, measured and managed, while 19% indicated the exact opposite. This highlights the 57% of respondents who said there is room for improvement.

These results are supported by respondents' views in the third part of the report; Talent, Teamwork and Technology, where effective implementation and sustainability of a more customer oriented focus is necessary across all internal elements of an organisation. In order to get buy-in to systems and processes that support Customer Centricity, there needs to be greater understanding across the organisation of the benefits of Customer Centricity and a specific programme formulated to implement and measure it.





Part 3
Talent,
Teamwork and
Technology

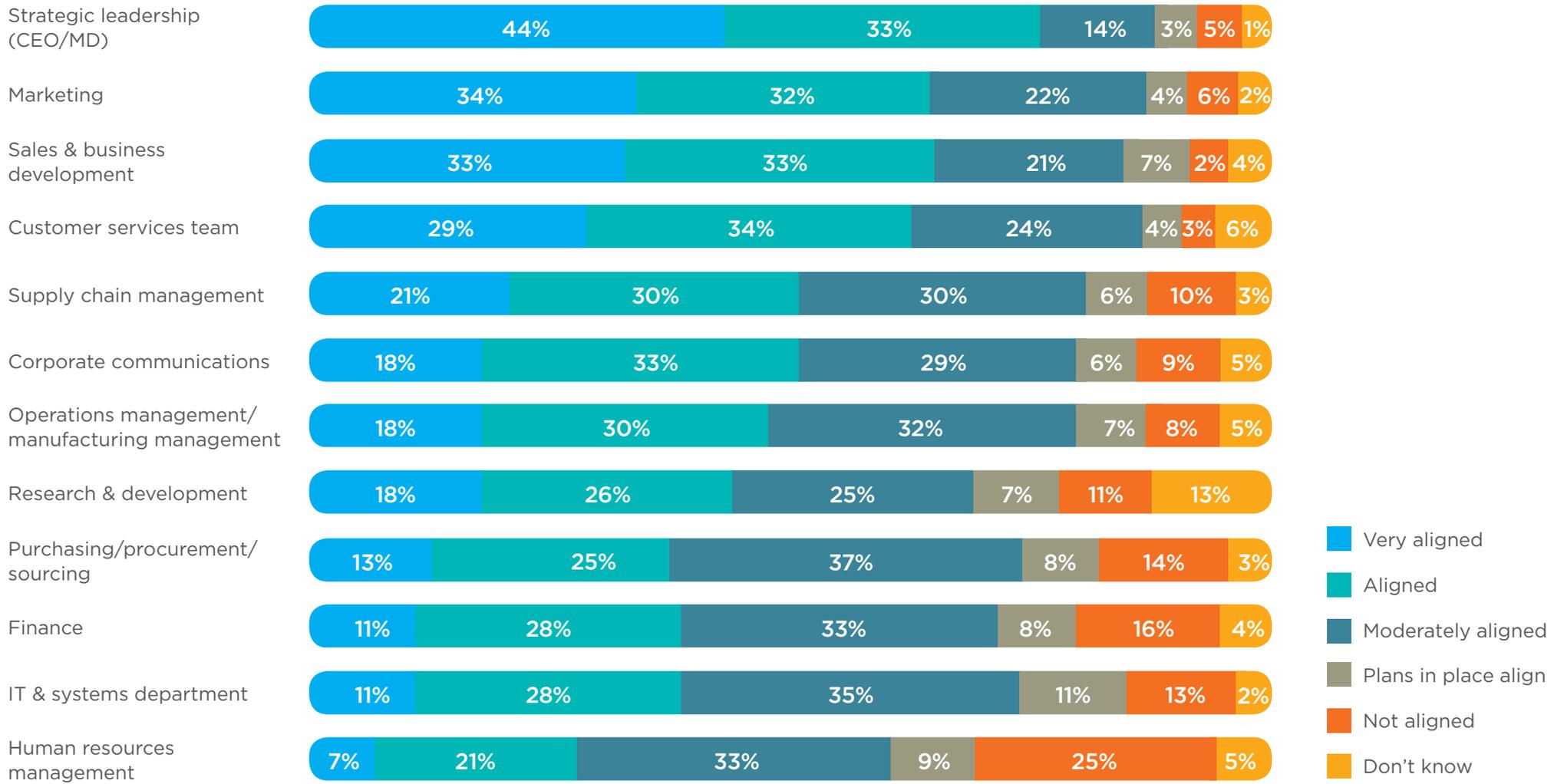
An underlying theme of past and present assessments of the supply chain and general business constraints and opportunities, is the continuing reference to the critical and growing importance of the skills that are needed to meet the challenges of the evolving business environment.

Added to this is the need to recognise that business structures of the past are not necessarily relevant in today's world. Words such as integration, collaboration, alignment and partnering all imply the need for teamwork both internally and externally with all those parties required to deliver satisfaction to each and every customer every time.

With the growing impact of technology, organisations are more able to design, implement and interpret a growing amount of data and information. There are some concerns that technology developments are not close enough to the real needs of the business and in some instances are proving to be inhibitors to fulfilling strategies such as Customer Centricity.

In this year's survey we endeavoured to uncover some of the issues of these vitally important concepts and activities, with the following results.

Respondents' perceptions of alignment of internal functions to delivering an excellent customer experience



Despite the clear importance of alignment and the perception that a customer-centric strategy should permeate an entire organisation, the degree to which all the companies' functions are aligned is questionable. Much of this can probably be attributed to the traditional view of customer service being the responsibility of specific departments or functions.

To achieve greater alignment of all departments and functions requires an understanding of how Customer Centricity can be, and often is, affected by everyone in the organisation. The continuance of silo-based functions can inhibit the attainment of overall performance, especially if their performance management does not include each department's contribution to teamwork, and overall company goals and strategies.

Although the chart above does reflect some degree of alignment, it appears to indicate an overall perception of a lack of alignment in respondents' businesses.



In some respects it may be argued that some functions or activities are actually inhibitors to the process of becoming more customer-centric. In this regard it is surprising that the very functions that have the most influence on Customer Centricity such as IT, procurement and human resources appear to show a lack of alignment or a perceived need to be more aligned. It is in this area of dealing with employees and internal and client facing systems, and the role and involvement with key suppliers, that true Customer Centricity and alignment can be achieved.

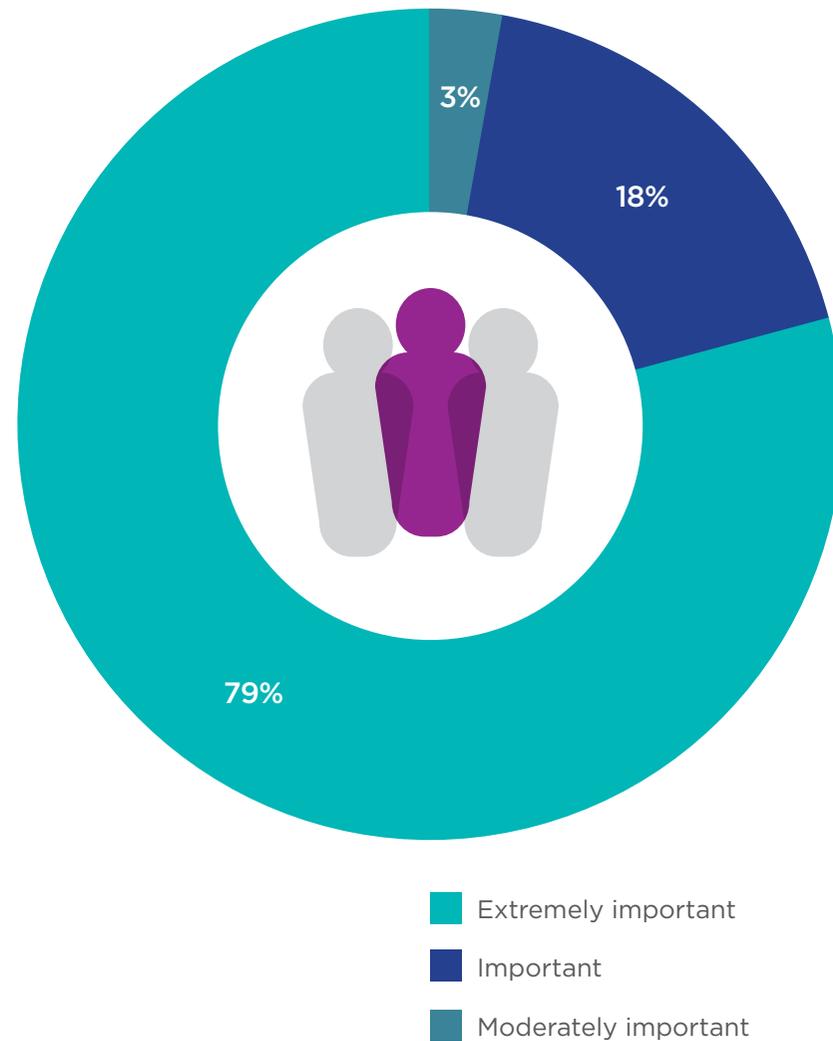
Importance of alignment of all functions to enable Customer Centricity

There is a general consensus among respondents that internal activities need to be aligned and integrated to achieve an organisation's goals and strategies.

From the responses to many of the questions it is clear that an integrated business model is key to enabling Customer Centricity. It is important to note that an internal and external silo-based mentality was rated as the second biggest supply chain and logistics constraint.

It was no surprise that respondents cited improving the flow of business intelligence, integrating technology and improving visibility in the supply chain, which effectively requires being aligned with key players in the supply chain, as their main objectives. However it is interesting to note that although respondents' supply chain and logistics objectives are in line with driving greater integration, and therefore Customer Centricity, business objectives are not quite there yet.

When asked what actions would be the hardest to implement to achieve improved Customer Centricity, changing organisational culture to be more customer focused, alignment of all departments and customer interfaces, and improving organisational flexibility and responsiveness came out as the top constraints.

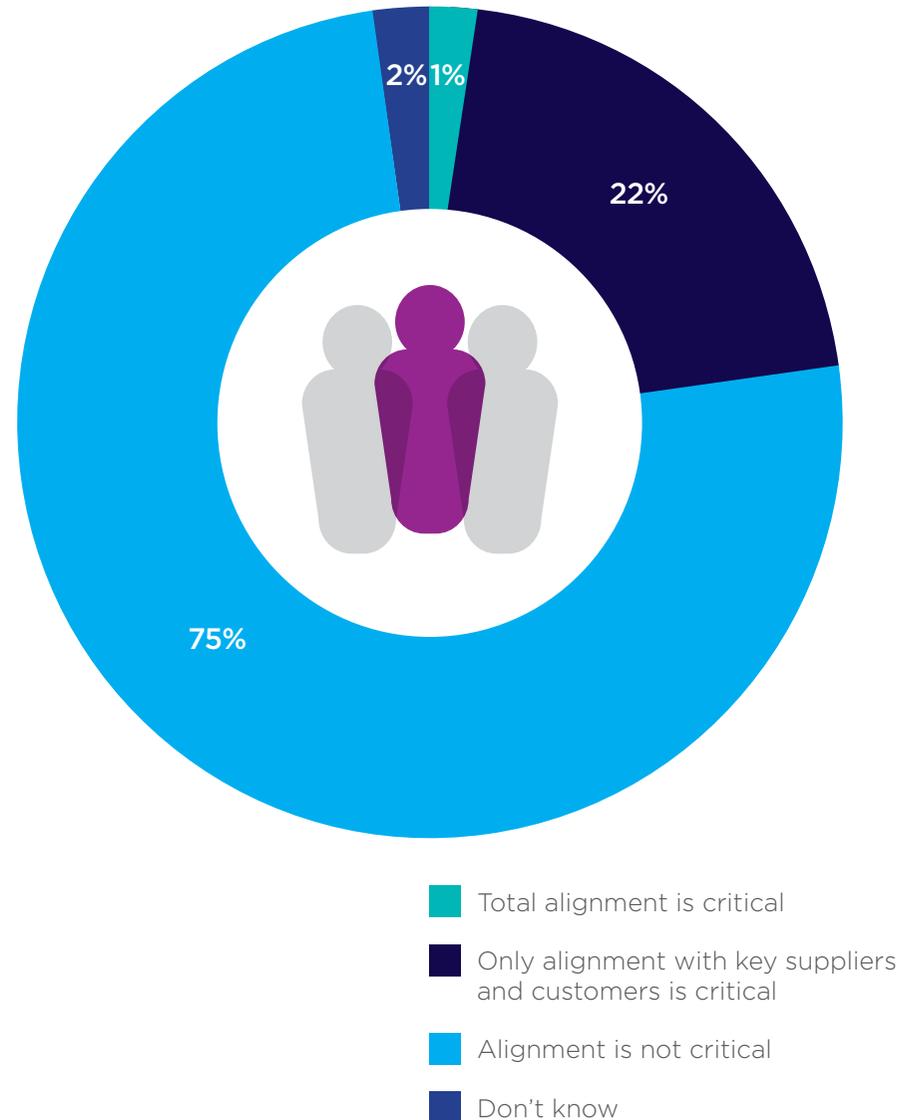


Respondents' perceptions of the extent to which all players in the supply chain need to be aligned to deliver customer delight

Respondents across all industries believe total alignment is a critical element in delivering customer delight.

There is no better example of the importance of the supply chain in delivering customer satisfaction than the automotive industry, which has not only recognised the need for total alignment, but has in many instances achieved it.

Earlier in this report, respondents indicated that alignment is often difficult to achieve, with many shortcomings in this area. Most respondents cited it to be an area of future focus.

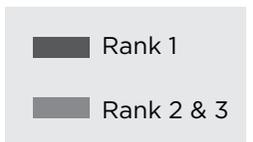
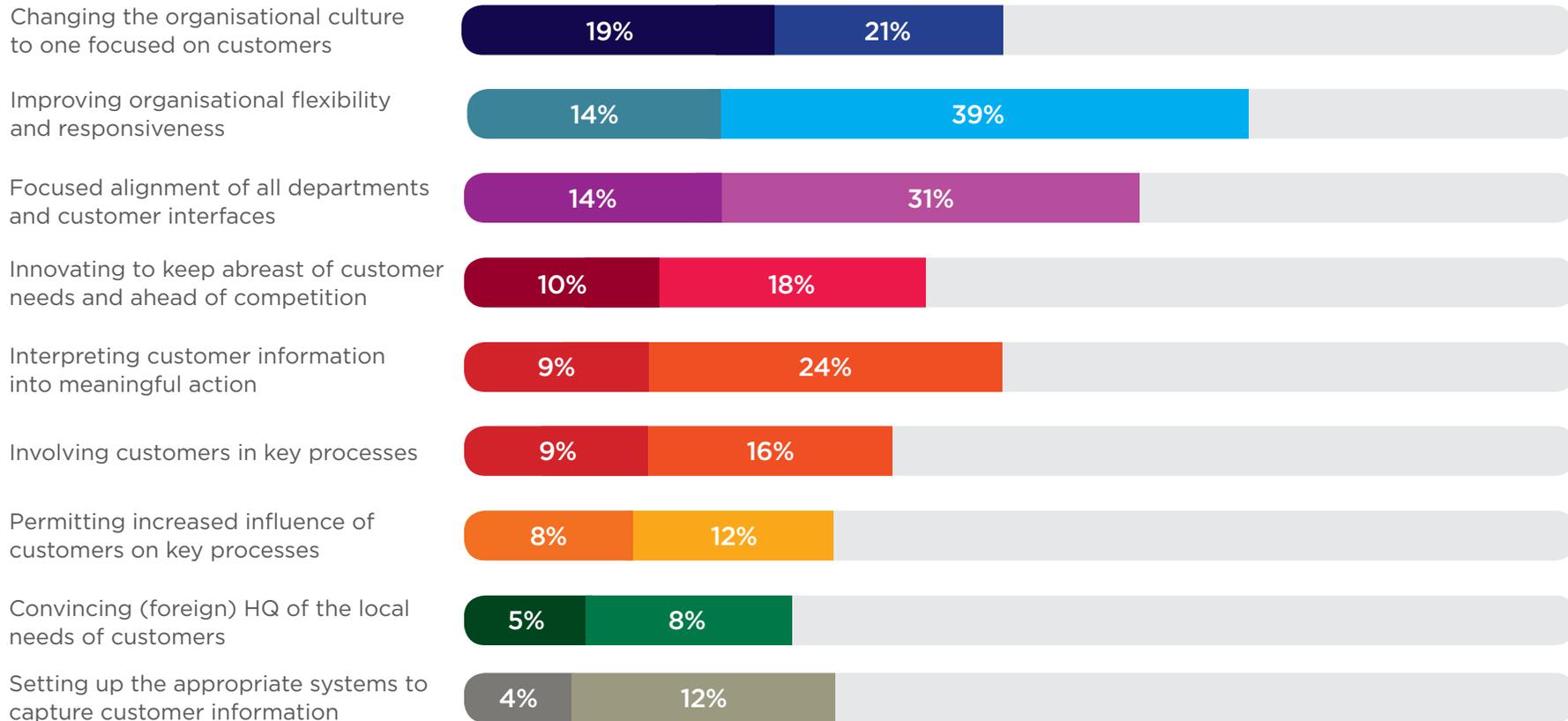


In the old world, you devoted 30% of your time building a great service and 70% of your time shouting about it. In the new world, that inverts.

Jeff Bezos, CEO Amazon.com

Actions hardest to implement

Respondents indicate that the major difficulty of implementing Customer Centricity lies in their companies' culture and structure. The issue of company culture, together with challenges of change management and the ability to get company-wide alignment to business strategy, highlights the need for management, leadership and direction.



These constraints may be due to what and how the concepts of integration, coordination, collaboration and Customer Centricity are defined and explained within companies. This is reflected earlier in the lack of measurement and management of such concepts, which highlights the need to create a better understanding of the issues and to clearly communicate the motivation, benefits and means of implementation.

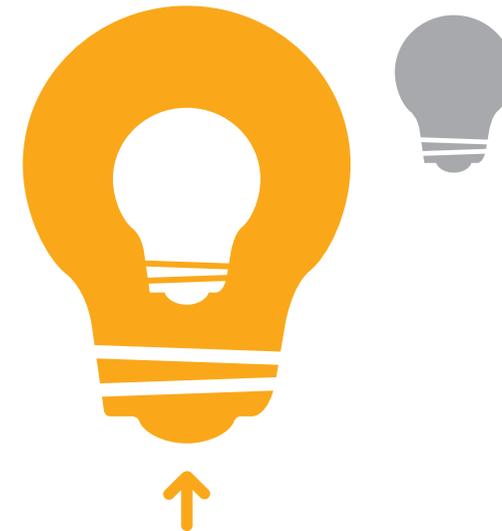
The lower half of the chart appears to indicate that implementing the processes, methods and systems required to form a specific policy of Customer Centricity are not the main difficulties once the internal environment provides the guidance and support necessary to do so. This seems to be especially true when an integrated approach is needed in areas such as innovation, or where it is necessary to involve customers or suppliers.

An interesting theme emanates from responses to the survey. There is a general perception of the difficulty to change cultures, the way of doing business, and create new roles and responsibilities. Similarly company structures and cultures do not always facilitate being flexible and agile, or create an environment that promotes enough forward thinking and creativity to compete in the world of today.

Technology now affects almost every aspect of our lives from a personal perspective to the largest of commercial ventures. Its impact on the role of supply chain management as a whole and the specific strategy of Customer Centricity is vital. The aspect of technology covers a broad spectrum of activity and development from communications to a vast array of applications, systems and processes.

How technology is viewed by the respondents reflects its importance and highlights that its proper design, implementation and management relies heavily on the skill sets of both those involved directly in technology and those who benefit from its outputs.

Whilst technology has the ability to create and develop its own demand patterns through innovation, it is the ability to satisfy the needs of commerce and industry to run and operate their businesses more effectively and efficiently that has the greatest potential as indicated by the respondents to the survey. The following chart reflects the gap between the requirements of technology and the current delivery and performance that creates an opportunity for the future.



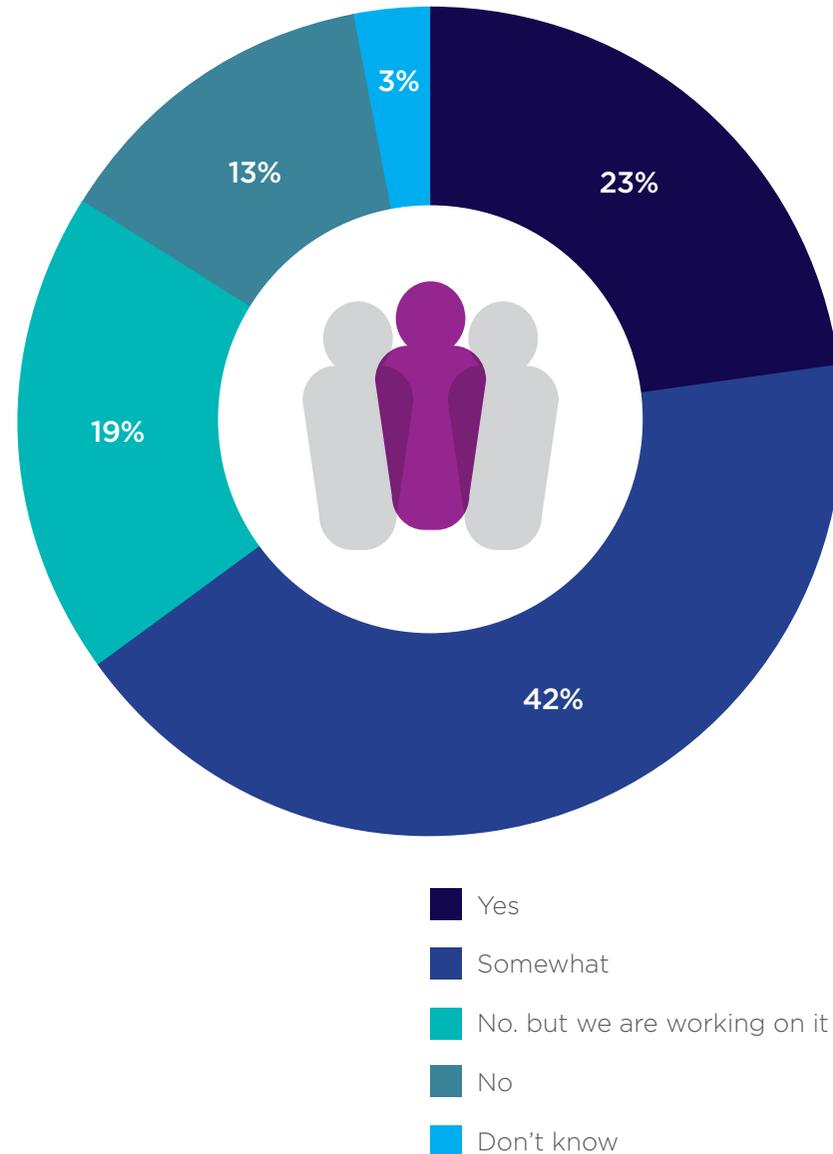
Industry insights in relation to the graph on the left:

The industry breakdown reflects some interesting variances. Respondents from the FMCG sector have a very high perception that flexibility and responsiveness are the hardest factors they face, combined with the difficulty of interpreting customer information. On the other hand, logistics respondents see more difficulty with changing internal culture and involving customers in the process. Retail and public service sectors both see culture change as being an inhibitor to achieving Customer Centricity.

Respondents' perception of whether their supply chain captures critical information that enables improved service delivery.

Only 23% of respondents said that their supply chains captured critical customer information. The remaining 77% indicated that customer information is collated but there is a need for improvement.

The real issue here is not just about capturing information. It is about the quality of this data and how it is interpreted so that it provides the ability to understand and anticipate customer needs more proactively and effectively.



“There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else.”

Sam Walton, Founder of Wal-Mart

Supply chain visibility increases the agility, flexibility, reliability and responsiveness of a company to operate more effectively in unpredictable and ever-changing environments. It is about how organisations capture and integrate data to extract critical information and business intelligence.

Readily available data across the supply chain improves the speed of decision making, reduces bottlenecks, assists in foreseeing potential challenges and generally assists with identifying process improvements and leveraging growth opportunities. Ideally, supply chain visibility is one central view of all key supply chain elements and movements enabling real-time tracking, management and measurement of goods, costs and services. Ultimately, greater visibility across the supply chain enables greater Customer Centricity.



Part 4
Summary and
Assessments

It is clear from the responses to this year's **supplychainforesight** survey that in the period of a year, the ball game of business South Africa has changed significantly. This supports the belief that the speed of change continues to escalate as a result of increasingly competitive global markets and advanced communication technologies.

Competitive advantage is hard fought for and quickly and easily lost. The winners of today cannot be the winners of tomorrow without accepting that doing business as usual is an unlikely formula for continued success.

Supply Chain Management and Logistics has risen to be a key component of enabling business strategy today and in the future. It lies at the core of business and is a vital component to creating added value and a competitive advantage.

This year there was an increase in the contributions from a variety of new industry participants, which indicated that segmentation and specialisation even within an industry sector meant that some degree of diversity of strategies, tactics, objectives and constraints appeared.

The strategic business objectives primarily focused on issues to address the reality of the new prevailing environment, but as seen in various sections of the report, whilst there are clear objectives there is currently a significant gap between knowing and doing.

The move to segmentation and specialisation of the market is requiring customised solutions for individual industries and individual players within those industries. This in turn creates a more fragmented and complex marketplace, where a one-size-fits-all approach is no longer a valid formula for sustainable success.

The skills shortage continues to rise up as a main constraint causing many to indicate areas of opportunity for improvement. Highly skilled and specialised people are required to address increasing complexity and create new business models for a sustainable and profitable future. Leadership and general management appear stretched and in some instances seem resistant or unable to affect the changes so clearly enunciated by respondents.

Summary and Assessments cont.

The recognition of the rising power and influence of customers is challenging traditional business models. Improving customer service is clearly seen as the most important objective from a supply chain perspective. This aligns well with the leading business objectives of growth into new markets and gaining market share with increased margins. In turn, this highlights the relevance of Customer Centricity as integral to businesses of the future.

To deliver customer satisfaction and needed value involves internal integration and alignment, as well as with all the key players in the supply chain. Technology facilitates integration and is playing a major role in enabling greater supply chain visibility and business intelligence. This will assist companies to understand and anticipate customer needs more effectively.

Despite Customer Centricity being a new addition to the business vocabulary of today, the respondents indicated a deep and complete understanding of what it involves and why it's important for future success. This reaction shows a commendable grasp of fast changing circumstances and the need to embrace new thinking and new ways of doing business.

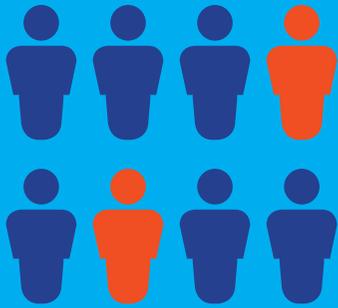
One of the most striking revelations was the acceptance that customers view value more importantly than price alone. In past surveys, price competitiveness was seen as being a key determinant in the minds of customers. The drive towards the creation of added value, which meet the specific requirements of each customer or customer segment is an opportunity now being embraced.

The poor perception of the standard of Customer Centricity of South African businesses provides a platform for continued measurement of future improvements as organisations get to grips with the requirements needed to raise the level of perception.

It is clear from the respondents that supply chain management and logistics play a critical role in enabling businesses to deliver on their strategy while facilitating a more customer-centric environment. To achieve true Customer Centricity, talent, teamwork, technology, creativity and commitment are some of the key elements identified in the survey as needing the attention of South African organisations going forward.

“Our mission statement about treating people with dignity and respect is not just words but a creed we live by every day. You can’t expect your employees to exceed the expectations of your customers if you don’t exceed the employees’ expectations of management.”

Howard Shultz, CEO Starbucks Coffee



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