



TAKE A DIFFERENT ANGLE ON SUPPLY CHAIN TRANSFORMATION

KPMG Powered Enterprise | Supply Chain

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Contents

Introduction	3
The changing shape of 'store to fulfill'	4
What does a future-proof 'store to fulfill' process look like?	5
How does KPMG Powered Enterprise Supply Chain get you there?	6
Transform your move to the cloud	7
Getting the chemistry right: KPMG Powered Enterprise in action	8
How does your supply chain match up?	9
Next steps	10



Introduction

For years, chief supply chain officers have played a key role in driving business growth. But recent changes in approach – and the COVID-19 pandemic – mean the job of a supply chain leader has changed immeasurably.

As an organisation expands, develops new products and recruits new talent, processes can become increasingly complex. Evolving data protection laws, currency fluctuations and geopolitical tensions don't help and require more responsive systems and tools.

That's why KPMG and Microsoft have joined forces to help you address these challenges, building applications on demand, automating manual processes and continuously analysing information to help reduce the risk of errors and increase your ability to make smart decisions. You can rely on KPMG and our business-first approach to deliver effective Microsoft technology-based solutions to achieve meaningful, sustainable business outcomes.

In this eBook, we explore how today's supply chain leaders can find clarity in the pursuit of an optimised operating model by specifically examining the concept of store to fulfill. We will illustrate how to digitise and create fast, predictable value from transformation, as well as focus on driving long-term business value through real-time insights.

It's time to create an agile supply chain function, fit for purpose both today and tomorrow.

TOMORROW'S SUPPLY CHAIN FUNCTION, TODAY

Microsoft Dynamics 365 is composed of line-of-business applications across marketing, services, sales, operations, finance and talent.

Microsoft Dynamics 365 for supply chain is an important part of this approach, utilising a suite of tools to automate and streamline your supply chain with predictive insights, proactively respond to your demands, improve decision making, build customer relationships and much more. It can work independently as well as alongside an existing business system.

The changing shape of 'store to fulfill'

Recent years saw a shift from the traditional, linear supply chain model – make it, ship it, stock it, buy it – to a digital 'fast fashion' approach. Known as 'store to fulfill', materials arrived from a variety of locations via various routes, to get products to the storefront as quickly as possible.

So much changed during the COVID-19 pandemic. Bricks and mortar stores closed, and many brands switched to a click and collect model. Some found themselves with stock in physical stores, with the original intention of selling and fulfilling from warehouses. But with very little in the way of options, they were forced to quickly develop fulfillment models from stores like curbside pick-up, and transition into online retailing in a matter of weeks. While once operating with a 60/40 split in favour of bricks and mortar, a pivot to 90/10 towards digital quickly became the norm.

And then there was the impact on buying. When buying for a store, a range is required (of sizes, for example). That abruptly changed during the pandemic, and historic ordering patterns meant nothing. Avoiding overstocking became critical – difficult to do when most retailers order two seasons

ahead. When the pandemic first reared its head in January 2020, most operators had already put their orders in for January 2021.

Operational effectiveness also took a hit. Few businesses had a history of direct fulfillment. Pre-COVID, some utilised a single carrier or managed third party logistics on a day-to-day basis over the phone. It exposed a lack of basic operations across supply chain within nearly every industry, highlighting those businesses with little to no track record of investment in IT or warehousing systems.

In short, the learnings were clear; enterprises who had already invested in cloud-based systems for modern logistics solutions were built to handle disruption better than those that had not.



What does a future-proof 'store to fulfill' process look like?

Some businesses only ever purchased just enough stock to prevent 'stock mountains'. They suffered during the pandemic – because when Asia shut down (as well as nations like Turkey), they couldn't get hold of any. The growing trend of 'just in time' delivery also prioritised the minimisation of stock holding. The pandemic highlighted the risks of this approach, and the need to diversify supply chains became clear.

The ideal mix of suppliers by territory is:



Such a diverse fulfillment model increases the chances of getting products into stores. To create greater resilience, third-party logistics firms can pick up the slack if required – just make sure your systems are flexible enough to support the opportunity.

AI-engineered intelligent order management is essential in order to help maximise the effectiveness of your order handling and fulfillment and to react to trends in real-time. It works to ensure stock levels are based on current demand, rather than historical demand. It also helps generate product recommendations which have become more relevant than ever, both online and in-store. Customers now rarely walk through or browse in-store as they once did, so helping the right products to stand out has become critical.

In a nutshell, the modern supply chain function needs to be flexible, keep up with market trends and listen to consumers.



How does KPMG Powered Enterprise | Supply Chain get you there?

THE MODERN SUPPLY CHAIN RELIES UPON THE SEAMLESS INTEGRATION OF CORE BUSINESS FUNCTIONS SUCH AS CUSTOMER ORDER FULFILLMENT, INVENTORY MANAGEMENT, PROCUREMENT, WAREHOUSE MANAGEMENT, PRODUCTION, MANUFACTURING AND TRANSPORTATION. IT ALSO DEPENDS UPON STREAMLINED, RELIABLE AND COMPLIANT TECHNOLOGY.

Part of KPMG Powered Enterprise | Supply Chain, the KPMG Target Operating Model shapes your business transformation and maps out operational efficiency for the future. It's designed to reduce risk while you look to achieve your future-state, but does so quickly – so the potential benefits can be realised earlier.

KPMG Powered Supply Chain overcomes the usual shortcomings of a cloud transformation project by offering the agility needed for dynamic evolution. That means what is built today can become a solid foundation for what you may need tomorrow. It's an opportunity to create a flexible, thriving supply chain built to handle turbulent times.

Transform your move to the cloud

Powered Supply Chain helps you to better meet the challenges of customer centricity and responsiveness to change, while maximising data-driven insights and efficiency gains, both now and in the future.

The KPMG Target Operating Model sits at the heart of the Powered Supply Chain. It includes six layers:

01 Functional process

Hundreds of pre-defined, leading practice processes.

02 People

Supply chain jobs definitions with process connections.

03 Service delivery model

The overall architecture of the model to optimise service delivery.

04 Technology

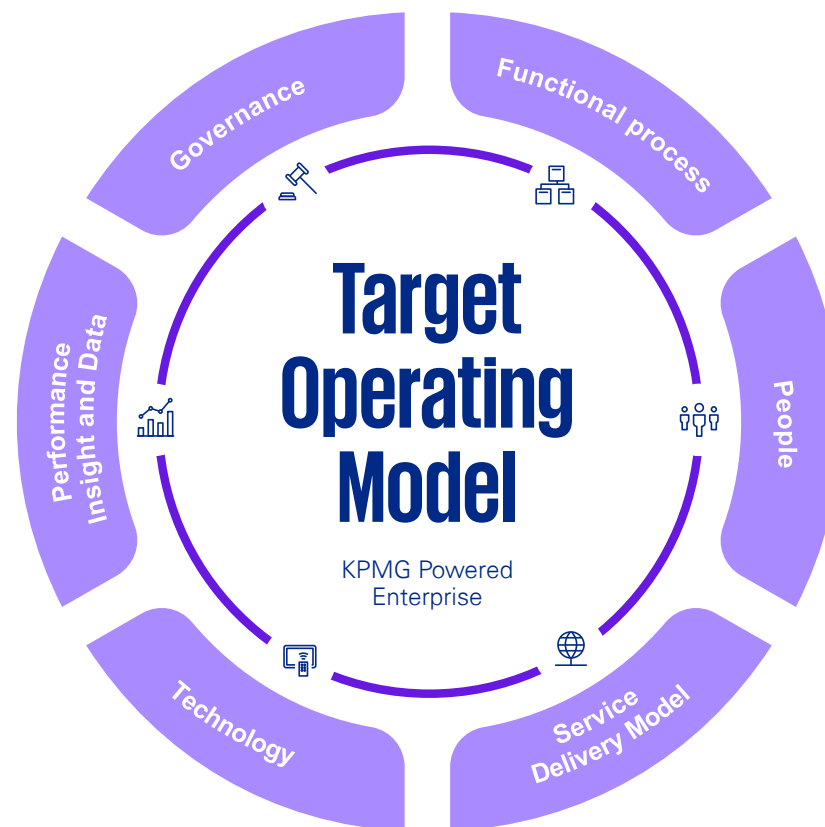
From advanced analytics and predictive analytics to cognitive decision centres, pre-configured technology can streamline processes.

05 Performance insights and data

KPIs, process performance indicators, and enhanced reporting are all critical components of this layer.

06 Governance

Focuses on the risks in the supply chain process, as well as duties and policies for every process.



Getting the chemistry right

Powered Enterprise case study

KPMG in the US helped Dixie Chemical increase net income with better insight into true customer pricing and profit margin.

Company: Dixie Chemical

Sector:

Industrial manufacturing: high-performance speciality chemicals.

Product:

Microsoft Dynamics 365 cloud ERP implementation with KPMG Powered Enterprise.

Challenge

To be more agile and data transparent, US-based market leader Dixie Chemical wanted a rapidly-implemented, powerful technology solution that improved productivity and data accuracy and gave insight into business performance.

Impact

Dixie Chemical achieved their goals through Microsoft Dynamics 365 cloud ERP implementation with KPMG Powered Enterprise:

- An increase in net income of approximately two million dollars
- Improved visibility of production costs leading to insight into true customer pricing and profit margin
- Greater understanding of accurate operating costs and 25 percent improvement in operating results
- Delivery of monthly management reports in half of the time it was taking pre-implementation
- Business continuity and customer communication improvements during critical operational setbacks
- Enhanced work and collaborative efforts.



How does your supply chain match up?

Test yourself against our maturity models

The KPMG supply chain maturity models enable you to understand how far along your supply chain department is on its digital journey.

Explore where the KPMG Powered Enterprise | Supply Chain – **Store to Fulfill** maturity model could take you or **get in touch** to explore our other Powered Supply Chain maturity models:

- Forecast to Plan
- Idea to Commercialise
- Maintain to Optimise
- Schedule to Produce



Next steps

When it comes to supply chain transformation, you're looking for results while minimising risk and hopefully we've given you a different angle on how to make that possible.

Discover how you can deliver lasting and immediate value for your organisation with KPMG Powered Enterprise | Supply Chain enabled by Microsoft Dynamics 365.

Ask yourself:

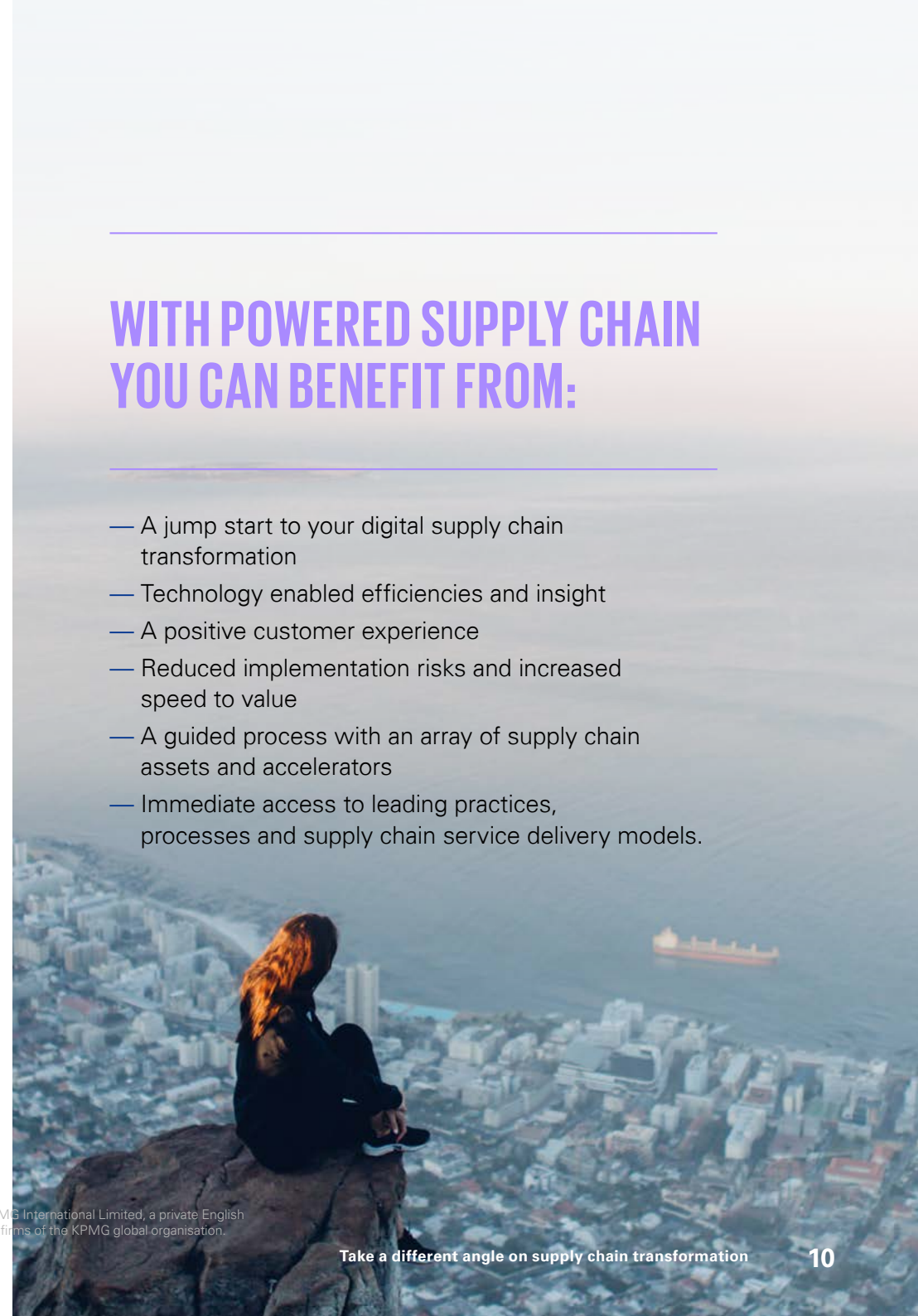
- Is my supply chain initiative focused on customer experience metrics?
- Does my end-to-end supply chain function as one virtual organisation?
- Can I see my total demand and supply picture at any point in time?
- How quickly can I identify and respond to a potential supply continuity issue?
- Are product movements driven by actual demand or by forecasted demand?

Know where you stand today, and you can plan for tomorrow. Find out more, visit:

[KPMG.com/au/poweredsupplychain](https://www.kpmg.com/au/poweredsupplychain)

WITH POWERED SUPPLY CHAIN YOU CAN BENEFIT FROM:

- A jump start to your digital supply chain transformation
- Technology enabled efficiencies and insight
- A positive customer experience
- Reduced implementation risks and increased speed to value
- A guided process with an array of supply chain assets and accelerators
- Immediate access to leading practices, processes and supply chain service delivery models.





Supply chain management plays a more important role than ever in connecting the front, middle and back office in a modern enterprise. In future, however, supply chains will not be driven by products and processes, but instead by customer needs. They will not depend on capital-intensive fixed assets, but on a nimble network of trusted third-parties. Your supply chain function needs to be ready.

Peter Liddell

**Partner in Charge,
Global Operations
Centre of Excellence**

T: +61 3 9288 5693

E: pliddell@kpmg.com.au

Nigel Edwards

**Director, Operations Advisory |
National Leader,
Supply Chain Management**

KPMG Australia

T: 0386638243

E: nedwards5@kpmg.com.au

[KPMG.com.au](https://www.kpmg.com.au)

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