

Bill's Building Blocks

A Focus On Retail

The Mall at Short Hills features 160 luxury retail stores with 1,453,000 square feet of total retail floor area. It is anchored at one end by Nordstrom and Neiman Marcus, with Macy's in the middle, and Bloomingdale's at the other end. Occasionally I walk the mall for exercise. It is nearly one mile around the top and bottom floors, nicely air conditioned, and offering lots to see. It is fascinating to watch retail outlets come and go, stores change locations for better advantage, and the degree of steep merchandise discounting posted in their doorways. Month end is always an interesting time to gauge the percentage of vacant space as old leases lapse and new leases begin.

Retail stores are one of today's consumer facing options within the DELIVER portion of a supply chain network. The trade press would lead you to believe that brick and mortar retail is dying a quick death. A more intelligent view is to look across industries and around the world to identify best practices and the forces of change in retail. Consumer facing interaction with a supply chain involves three flows: Information, material delivery and return, and cash. Here are some of the more significant change drivers:

- Consumer Information Flow – The nature of the product determines whether you can shop on-line, or need to touch and feel the real product in a retail store, or both as in the information side of **omni-channel** distribution. In the future **blockchain** may replace the current information highway connecting retail store demand with supply.
- Consumer Material Flow – With traditional retail the consumer walks out of the store with the merchandise. Many companies are experimenting with alternative logistics - - **drop off points**, **drone delivery**, **last mile initiatives** -- to deliver physical product to non-traditional locations within a **two hour window**. Centralized inventory with **postponement** and faster logistics is replacing distributed in-stock inventory with steep discounting and very high levels of returns.
- Consumer Cash Flow – China may well be in the lead toward a **cashless** society. Chinese holding personal bank accounts can walk into a retail store, use their **smart phone** to scan the store's **QR code**, and then enter the price of the merchandise on Alipay in their smart phone. The bank transfers cash from the account to the retail store. This, of course, requires fundamental change within the banking industry.

Clearly, we are experiencing a time of disruptive change in brick and mortar retail.

©2018 William T. Walker, CFPIM, CSCP-F, CLTD-F, CIRM has 40plus years of practitioner experience, authored *Supply Chain Construction* and *Supply Chain Architecture*, and teaches Supply Chain Engineering at NYU Tandon and Demand Planning at Rutgers. He is a 35plus year APICS member and APICS E&R Foundation past president. Email: wt_walker@verizon.net