

Media Alert

Morrisons' Focus on Local Suppliers Could Revolutionize Retail Supply Chains

Integration of food suppliers into local store supply chains could require a completely fresh, data-focused approach to replenishment, says Blue Yonder.

Blue Yonder, 19 March 2018 – The recent news that Morrisons is set to stock more food made by local suppliers reflects an increasing desire from consumers to buy fresh, locally-sourced produce that they perceive to be more environmentally friendly, that hasn't been shipped around the world or grown out of season. The 'picked today, sold today' model of hyperlocal sourcing will require retailers to move towards a fully data-driven approach to replenishment, as they will need to have complete visibility over expected customer demand on any given day to order the right quantity of fresh produce, and not end up with vast amounts of wastage.

This is the view of Uwe Weiss, CEO of Blue Yonder, who argues that retailers can give themselves a huge advantage in the ultra-competitive grocery market if they can implement this hyperlocal sourcing to match consumer demand, while reducing waste and improving their environmental footprint.

"It is really interesting to see Morrisons taking this approach to its fresh produce, making the effort to support local suppliers and responding to customer demand for locally sourced produce. 'Buying local' has been one of the most noticeable trends in grocery of recent years, even if consumers are doing through a nationwide retailer, supporting the local economy and reducing their own environmental footprint. This trend could also prove to be a real boon to hard-pressed farmers and other producers who have struggled to compete in an increasingly global supply chain, where, for example, strawberries can be grown all year round in Spanish farms and shipped to the UK.

"Retailers looking to shift their supply chains towards local producers need to take into the account the extra burden that this will put upon their replenishment processes. Retailers with a nationwide footprint may have multiple local providers around each of their stores that they wish to engage with, whether that is a supplier of high quality meats or artisan cheeses, and so they will need to calculate the necessary demand for each of these products, every day, on a store by store basis, without increasing waste.

"This will present a massive logistical challenge to replenishment teams. The average national grocery chain needs to make approximately 20,000,000 replenishment decisions per day, and this will only be further complicated by adding in local suppliers to each store's

supply chain. This is far too much data and decision-making to be done by a team of humans, and it is here that artificial intelligence can prove vital. By analyzing vast quantities of data, both a retailer's own data such as sales patterns and customer footfall, and external information such as the weather and events like football matches, AI can predict with much greater accuracy and granularity the customer demand across every product in every store. This can give retailers much greater visibility over how much stock they need to order, optimizing their supply chain operations and reducing waste and shelf gaps."

Uwe concluded: "Morrisons' integration of more local suppliers into its supply chain could represent the future of grocery retail, and it seems to be paying dividends for the business, with another strong set of financial results reported recently as the retailer continues to be one of the success stories of the British grocery market. However, retailers looking to emulate this success will need to plan their replenishment strategy very carefully and ensure that they have invested in the appropriate technology to assist them in achieving this objective."

About Blue Yonder

Blue Yonder enables retailers to take a transformative approach to their core processes, automating complex decisions that deliver higher profits and customer value using artificial intelligence (AI).

With AI embedded into their supply chain and merchandising processes, retailers can respond quicker to changing market conditions and customer dynamics, boosting revenues and increasing margins.

Developed by one of the largest teams of PhD-level data scientists in retail, our solution delivers 600 million decisions daily to international grocery, fashion and general merchandise retailers.

Blue Yonder was founded in 2008 in Karlsruhe, Germany, by former CERN scientist Professor Michael Feindt. The company has been awarded the Gartner Cool Vendor Award 2015, the Experton Big Data Leader Award 2016, the IGD Award for Supply Chain Innovation 2017 and the BT Retail Week Technology Award.

Blue Yonder solutions are available through Microsoft Azure.

Blue Yonder. Best Decisions, Delivered Daily.

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