

HOST: The online business exchange was a two-day live event presented by the Business School at the Open University. During the event there was live chat and forum discussions. The live chat is now closed, but we hope you enjoy the video that follows.

[MUSIC PLAYING]

Hi, and welcome back to the online business exchange. Well, this session we're talking about supply chain management and the future. And I am with Bjorn Klass and Rob Moore. And we've been having a very interesting discussion earlier about the future of the supply chain. We've been also focusing on how the consumer interacts, then, with the supply chain- talking about the way that there is more of a relationship with the consumer in that supply chain, as they're coming further upstream- so where they're choosing, how they're having goods and services delivered, and how they're actually interacting with that.

We've been talking about how that might impact on our online shopping, for example, where our fridge can communicate with our supermarket- what we're choosing to buy. And of course, the main issue then is this issue of control. How much control does the consumer have? And when there is this need and desire often to shop, and to engage in a very tangible way- seeing goods and services- the supply chain is offering different options for consumers. People have been talking in the chat about various hub shops- wonderful ideas around the pub is the hub, so where you've got these high streets where the pub is thriving, but the post office and the general store, maybe, are failing. Can they come together? Can there be a way that consumers can go and have a coffee or a beer, to pick up their post, to try on some goods and services, without that actually being a retail environment- where they're just saying, I like that. I'm going to order that, and then ordering it online.

So this whole issue of the role of the consumer and their interaction with the supply chain is very, very interesting. I wonder if we can talk a little bit about how that might be developing.

BJORN: I think it's interesting to recognise that the digital business has been with us now for quite some time- the Amazons and the iTunes. And I think you see increasingly that that's something that we've known for much longer, already, in a professional environment- that there is different types of products. So you have those products that are simple commodities that you don't really think about, that you don't really compare. You just grab, or you just you

have your choice of, I don't know, toilet paper. And you just keep on buying the same brand always. And you don't want to think about it. Baked beans could be another example.

So those products- or a book, for example- those products you can easily buy online, because you don't necessarily have to test them. You know how they look like. And provided that they don't deviate from that, there's no comparison there. And then you have these products like a coat, a suit, a jacket, a piece of technology that you don't really know what it is- where you would actually like to see it, and to feel it, and touch it, and try it, and combine it. And there is where the digital economy hasn't helped us so much. Because what it has done is, it made the role of the shops less and less important. As for what you see in the shops these days, is in a small part of what you see in the online offer.

And it almost becomes now a bit- you don't go to the shop just to buy your goods there. You would love to see what is available and try, and then make your choice, and then go back online and order it in the cheapest possible way.

HOST: So there's a hierarchy, in terms of how we choose to consume and what items we effectively shop for.

BJORN: Yeah, there is different products. So if you now just forget about all these commodities, because those more and more you will probably be able to source online. And you could go to- what is the Amazon thing that you mentioned?

ROB MOORE: Oh, the dash scanner.

BJORN: The dash.

HOST: Yes, see, this is interesting, because there is this- we accept that we might need just a supply chain of products. We accept that there are some things we don't want to make those decisions about, and we just want to be able to consume them. But then, like I was saying, the issue of control is important. And the supply chain as adopting or adapting even, to try and work with consumers so that there is that element of control.

BJORN: Well, the supply chain needs to keep this efficiency in mind. Because you can only survive in the supply chain environment if you're efficient, and if you're cost-effective. And so it then, for the sake of the argument, let's forget about the baked beans and the milk. Sooner or later we get to the point, as what in manufacturing is known as [INAUDIBLE] strategies- that you

basically have a box. And if the box gets too empty, ultimately a new box will appear and replenish it.

If you then go to these other goods- what I said before, the suits and- then you could perfectly well think, instead of going to a shop and hope that it's there, you could make the experience of going to the shop really, that's the purpose of the shop. And this is where we try things. So I don't need to have 20 coats, or I don't need to have 100 coats there for the customers who come there to buy. Maybe I can make- and that's the hub idea- I can give a selection of the offer that I am offering- and a very broad selection, but not in large quantities, and there let people try. I need to make sure there is one of every size, but not 100 of every size. You just give one of every size, so people can actually go there. And that could be- I don't know, this should do it- the pub as the hub. That could be in a pub, where you create an event. Well, here we offer or we display our selection. Come and try. And if you want to go, there's the order form.

HOST: Well, there's been a suggestion in the chat about whether we could turn, often, these empty high street stores into the retail environments- where people aren't necessarily buying, but where people can see and engage with products.

BJORN: Well, but that changes the nature of that high street. Right? Because then, indeed, you do not go to the high street to buy the good. You just go to see and touch it. And you expect the broadness to be there. You don't expect the product to be there to take home. And that will change. That could potentially change the high street.

HOST: Do you see that as being an emerging thing that could happen?

BJORN: There is a potential.

ROB MOORE: There is a potential there for encouraging people back into the high street, because if- for these high-value, these items that you want to choose, and you want to select for a specific purpose- of course you want to go and see the quality. And quite often it's, what does it feel like? Is it the same colour in real life as it looked on the screen? And so yeah, can you imagine it drawing people back into the town and away from just the computer.

BJORN: And a daring entrepreneur could make a fantastic business there. Because if I see the number of packages that arrives at my house, with clothes that my wife orders- and then, indeed, she says, you know what? It's not my shape. You know what? It's not the colour that I expected it

to be. This is just, from a sustainability and environmental perspective, incredibly inefficient- or from a business perspective, because not every time that something arrives, it needs to be in a bag. It needs to be packaged. It needs to be shipped as an individual package, not in a truck full of- and then when we decide we don't want it, it needs to go back, which is incredibly inefficient, at last, over time.

And in that sense, an entrepreneur could make a hub. It could say, well, look here. We have a pub that tends to go out of business. Why not say, well, on Saturday we show off our broad line of clothes. Come there. Come for a cup of coffee or a beer. Make it an experience. Try out new things. And then if you want it, well, look. There's an iPad. Put in your order and it will be delivered to you.

HOST: And I suppose in the future, then, that would probably be delivered by a drone by the time you get home. You know? If the supply chain is having a maximum efficiency-

BJORN: This could be- this really brings this additional level of efficiency to the supply chain, because still the traditional supply chain is awash with products that shouldn't go through that supply chain, because we don't want them. It's just that we don't know that we want them yet. So if we can sort this-

ROB MOORE: That's probably the big step forward, is going to be getting rid of returns. I think that is the next big step.

HOST: How do we do that?

ROB MOORE: Well, this is- it's because people are changing their minds. We're almost encouraged to do it. Clothing shops- order more than you want, and send back the ones you don't want. But as you say, when it comes to the efficiencies, that's where we've got a lot of inefficiency.

HOST: Do you know what, roughly, the proportion is, in terms of some of the- how big is the returns issue?

BJORN: I can say that for my household, it's probably 70% seems to go back, these days. Yeah, but that's what it is. And every time-

ROB MOORE: That's a big selling point, as well.

BJORN: It is.

ROB MOORE: One of Amazon's great strapline is, return it within 14 days.

HOST: Yeah, yeah. And there are different legal parameters when you buy something online, as opposed to in a store.

BJORN: That is where the knowledge of the supply chain as an entrepreneur, then, comes in. Because what we or my wife [INAUDIBLE] identify her- doesn't think of the cost that it costs to process that return. Because every time that she orders a dress and then says, you know what? The shape is not right. The colour is not right. Somebody needs to bring it back. Somebody needs to look at it, said is it a new dress? Hasn't she worn it several times? Is it torn? Is the label on? And needs to now repackage it, so that it can be sold as a new product again- because every time that something has modified a product- because it is damaged, something happened to the product- they can't sell it at the full price anymore. They will have to sell it as a used good. And you see that quite often, in Amazon- that there is a warehouse offer, which is quite often a product that has something-

HOST: So this knowledge, then, doesn't just relate to business. It relates to consumers. And you've mentioned things like sustainability, and the way that consumers are interacting. Is there an onus, then, on the consumer to have some sort of responsibility, in terms of how they're interacting with the supply chain to minimise returns?

BJORN: If they want us to be economical friendly and low prices, if they want to be environmentally sustainable, then somehow, something will have to give in. And there is a clear and explicit role for those who buy the goods at every level, including the consumers, to understand the impact of their behaviour. And if they then see, well, look. Every time that I send something back because I changed my mind, somehow there is a cost created, and there is a carbon footprint created that ultimately will translate to a cost, and somebody will have to pay for it. And there's only one who pays here in the market, and that's the consumer in the end.

ROB MOORE: Do you think we'll get to the point where we have something like on eBay- you get your rating as a buyer, how good are you as a buyer? So just imagining some of these online retailers- if you return, you get a mark against you [INAUDIBLE]. Imagine if you were rated as a consumer and you got a discount if you were-

HOST: But that's assuming that there was a negative- you know, your wife- would it be fair to say, someone you know, for example- we can look at these things statistically, but then you can say, well, as an individual if I'm choosing to buy these things, if I'm choosing to interact- and if

you're choosing to have a returns policy, as such, is it not my right as a consumer? And does that make me a bad consumer?

ROB MOORE: Well, you don't make it a negative. You make it a positive- that if you keep 80% of the things that you order, you get a rating.

BJORN: [INAUDIBLE] there, because despite her shipping back behaviour, she's a good consumer. And she's an interesting consumer because she buys clothes. And that's the way- and it's just that the system allows her to do it, and therefore we do it. Now we gain the experience of how the system works. And little by little- and that's the digital [INAUDIBLE] the information flow is flowing freely- there emerges a realisation that there is a component here that maybe should be curbed, for the benefit of all of us.

ROB MOORE: But again, we're moving away from- comparing to manufacturing and business, bringing it into the social side, you do get preferred customers, preferred supplier status, that's based on the way that you've performed and the way that you've interacted.

HOST: So this could be a development, you think, that happens both ways.

ROB MOORE: Well, the technology is there now to do this, because with the sharing of information and the transparencies, you can see exactly the purchase- I mean, how many times to you go onto Google, and you've got an advert pop-up on the side for something you were looking at 20 minutes earlier?

HOST: Yeah, exactly- all the time. But then you raise this issue about how we could have these hubs. OK, so this is a solution. We could go and touch things.

BJORN: It's a solution for a particular type of product.

HOST: Yeah, exactly. It doesn't meet all products. And even if you are able to see the colour of the skirt, you might not be able to try it on with the blouse, for example. So there will always be, to some extent, this issue of returns.

BJORN: That's the way we do business. But I think it's not- I don't think we need to stop it all together. You will have change of minds, and there needs to be a way of returning goods. Because otherwise, people just become reluctant to buy. And we don't want to stop [INAUDIBLE].

HOST: And the amount of people who go on eBay after a few pints, and will decide that they

absolutely-

BJORN: But I think what we need to curb a little bit is just this- we order, and we order, and we order, and then we ship back, and we ship back, and we ship back- without actually realising that it adds to our cost. And if that somehow, if there's new business models coming in that allow that to be reduced, that is an interesting proposition.

HOST: Yeah. Do you see this as part of the corporate social responsibility [INAUDIBLE] of some of these large companies- to begin educating consumers about some of the implications of this returns behaviour?

BJORN: I don't like that. Well, I like the concept. But I don't like putting the responsibility only at large companies.

HOST: But who is to educate the consumers, then?

BJORN: Well, first of all, [INAUDIBLE] consumers themselves. They have a responsibility. And I would rather say, well, leave it up to the market to a certain degree. There is- it's not one or the other. It's a blend of curbing it, maybe, by rules and regulations. But there's also giving a place to the market of coming up with new business models- and somehow, responsibility on the part of the consumer to analyse their behaviour.

I'm a bit reluctant to accept a pampering society that tells me what I can do and what I can't do. Because I wouldn't be comfortable in that. And I think we need to leave the freedom on the part of the consumer. But I think we need to educate the consumer, not by telling them what they can't do, but by using this transparency in the supply chain- by telling them, well, look- this is the impact of what you do, and giving me transparency that if I send everything back, well, this is the premium that I have to pay for that.

ROB MOORE: I'm just thinking about some of the online orders I've made from supermarkets. When you go to book your slot, quite often there'll be a little green van that shows up, that says- book any slot you like, but we're in your area already on this day. So by booking this one, you will be actually saving the environment.

BJORN: Maybe you get a discount?

ROB MOORE: Well, no. It's just-

HOST: Well, maybe in the future, but not at the moment. It is that [INAUDIBLE] value-laden decision right now, isn't it?

ROB MOORE: But if the choice is completely open, and by choosing this particular one with no impact on you, you can have a positive effect, you will choose it. So that's an information thing.

BJORN: But then go to the Easy Jet model order, Ryan Air model, right? In which you have all these [INAUDIBLE] to choose from. The longer you wait, the more expensive they become. Put the responsibility on those who make the decision. And if I want to have a convenient slot, book early or pay a little bit less for a low-

HOST: Yeah, so there's a financial tradeoff then, between- so we should be-

BJORN: Well, it's a financial incentive, if I would like to-

HOST: Yeah. Because consumers then could make that decision based on- but making that decision purely on ethical grounds has other implications, and may not be one- as we've seen with fair trade bananas- that is necessarily driving the market.

I'd like to talk about some examples, and particularly in Fung, Alibaba etc.- about ways that some of the large organisations are taking advantage of the digital economy.

BJORN: Look, I think we've talked quite a bit already about the Amazons. But the digital economy is just changing the supply chain so much that there is this complete disconnect between those who make the product, and those who actually sell the product, and those who transport or who ship the product. If you look at the companies that you mentioned, look at- Alibaba's an example of it. More people will be, probably, familiar with eBay- eBay doesn't make anything. It doesn't see any of the product that it sells. And yet it makes a business out of them, by just bringing parts together and facilitating a particular supply chain.

HOST: Especially for small businesses, they can tap into a very effective supply chain, with the financial options of PayPal, etc. so-

BJORN: What is the limitation? If you're a small organisation, that you don't have the physical network or the platform to make those connections. But what Amazon does, what eBay does, what Alibaba does, and what other companies do who are even much bigger than those- they can make the connections, and they facilitate it. And their business truly is supply chain.

HOST: So [INAUDIBLE] into small business- we spoke about knowledge. And we spoke about how having that supply chain can give you better links. You've got more knowledge. You've got more control, I guess, of that whole process. But when there are such viable options- in particular, for small businesses- when effectively, you could market- you could even, then, import your stock and rotate that around your sales, if you were using a digital economy very effectively. To what extent, then, is it worthwhile investing in that supply chain for small businesses in particular?

ROB MOORE: Well, we look at where the small business fits in. So a small business can fit into a supply chain to a larger business. And where we're seeing some real advantages are, the thing that large businesses hate is uncertainty- whether they cannot afford to be uncertain about when things are being delivered, the quality when things are being made. What the digital supply chain allows us to do, or allows the big companies to do, is have that real focus on the quality, the timings, the progress.

So larger companies can engage with smaller companies and have that confidence. Now, the smaller company will have to fit into the larger company's way of working. But again, it taps in, then, to a range of expertise, a range of systems and organisational arrangements, that it wouldn't be able to do on its own. So again, a really nice relationship- so a smaller organisation can work with a large one. And as Bjorn has said a few times, we can- that the larger companies don't want the small companies to fail. They want them to succeed, by sharing the information.

You've also got the opportunity for a small company to use the very large organisations like Amazon. Amazon shops are very popular. People can run entire businesses using the Amazon platform. And again, as Bjorn says, Amazon never sees the products. It's just the supply chain.

BJORN: I think that it all has to do, again, with being aware of what is the product that we buy? What are our unique selling points? And how can we best perform in that? If I'm a small business owner and my business is baked beans, I just need to focus on efficiency. Efficiency is what drives my business. And to me, to compete with the efficiency that can be obtained via some of the platforms of these larger organisations- it's almost impossible to match that. So in that sense it's, well, if I can't beat them, join them. Use that system.

If I am the other extreme of the commodity- if I am an artist or I sell some piece of art or an

experience, I'm unique in that. And then the delivery of that product is not so very important. Those who would be interested in my products, they will travel. They will wait, and they will invest to get that product. But then I need to think, oh, what is the experience of how can stay in touch with this consumer? How can I stay in touch with that market? And then the platforms of those big companies all of a sudden don't work anymore.

And there, I have to just adjust my supply chain- which then, it really comes down to what we talked already before in the previous session, is it is know your environment. Know what are the trends in that, and know where you need to focus. And I think more than ever before, small companies can associate themselves with services of larger companies for their own benefit.

HOST:

Those are excellent concluding thoughts, Bjorn, because we've got a lot coming up on small businesses later. But you know, it is so important for people to be mindful of these various aspects. And as I think we've gone on to talk about, the economy is shifting so dramatically, so quickly. And it's important to have that knowledge, to know where to make the most of it. And meanwhile, in the chats, we've two people going into business together. Town centres are being transformed and consumers say that they like green choices when they're given the option. So very interesting food for thought there.

Bjorn and Rob, thank you so much for coming and talking about this today. You're having a live chat session a little bit later, where we can continue this dialogue. And indeed, there will be chats after this session. So do keep those thoughts coming through. If you are in the Watch Only, come back into the Watch and Engage so that you can see the chat in the next session. And don't forget, you can also engage with us on Twitter. The hashtag is OU_exchange. And you will have been invited to Yammer discussions when you registered for the event. And there is one on supply chain management there.

If you are interested in supply chain management, there is a MOOC which we've been talking a little bit about this morning, and that begins in November- the 21st of November- effective supply chain management. It's a 12-hour course over four weeks- free, but you can get a certificate and you can collate that with a number of other courses on the digital economy to get credit towards an MBA. So do check that out, and all the details of that are on the website.

We will be back at 12:30 for our next live session with Devendra. I will see you then.

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