

INTERVIEWER: 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]

Good evening, and welcome to the Online Business Exchange. Well, in this next session, we're talking about supply chain management. Now, it's topic that we've had discussions about earlier in the day in terms of corporate social responsibility. But now we're going to take a look at what the digital supply chain is and how we can manage that process.

And I'm joined here in the studio by Rob Moore, welcome, and Bjorn Claes. Thank you for joining me today. Now, we asked you earlier what were the three main issues in digital supply chain management. And there were some very, very interesting answers. And I'd like to show you some of those now.

Some of the things that came up were issues like two-way engagements, speed, processes, logistics, technology, quality, partnership, finding innovation. And there were also some words that I didn't expect to see in there, like piracy and risk. So very interesting.

We're going to keep that open. If you haven't already added your thoughts to that widget, and you can only do that if you are engaging in the Watch and Engage option to view this business exchange, then do so, please. And if you are in the Watch Only and you'd like to come and see what all the chatter is about, and some of those widgets, you can reconnect through the website, selecting the Watch and Engage, and getting an Open University visitor account.

We're also going to ask how prepared is your organisation for the changes that we've been discussing. Now, we've been sharing this widget a little earlier in the day, and we're keeping that open because we're aware that tonight's audience may be a little different. And a lot of people were saying that they weren't necessarily that prepared for it. But we're going to keep that open and we'll come back to that in a little while. So do vote on those two things, please, if you haven't already.

But tonight's session, we're going to talk with some really key issues in terms of how we view supply chain management. So we're going to look at what it is and why it's important. And then

relate this to this whole idea of a digital economy, which as you know, is a big theme throughout this session.

So we're going to consider that. And we're going to look at how the supply chain management is changing. And also answer any questions that you've got. So if you have questions about this, please do put those in the chat box and we'll raise those in the session, or you can put them onto Twitter with the hashtag is `ou_exchange`.

Right. So we have an hour to discuss supply chain management. And you both tell me that this will be an hour that will be difficult to keep on time. So I'm going to start by asking you about what digital supply chain management actually is, because I hear it's quite a contested concept. It's something that, as you can see, means very different things to our audience out there. So what is digital supply chain management?

BJORN CLAES: You want me to go?

ROB MOORE: You go first.

BJORN CLAES: Well, that's an interesting question, because it can mean so many different things. And that is probably why it's a concept that is so difficult to handle. Because you can't talk about- you can't make a split between the process and the product.

INTERVIEWER: Right.

BJORN CLAES: So if you have a product that is digital, they have been coming up a lot in the last decades. Think about your Kindle, think about the movie that you download on Netflix. Those are products that you consume, that you buy that are being delivered to you, but there is no tangible good around it anymore. So that is an important part of the digital supply chain.

Yet there is still so much going on with our physical products, and that are still supported by a whole array of digital components, digital technologies to make that work. So you have, on one hand, the digital supply chain, or the digitisation of the economy helps the flow of goods and services, the traditional flow of goods and services, to become much more efficient, much more direct.

And on the other hand, you have the changing nature of the products that completely changes what the supply chain looks like. And a lot of people even not consider that supply chain.

INTERVIEWER: Well, music is such a key example. I mean, we used to always go and buy music in shops. Now we wouldn't really think about doing something like that. We're quite happy to pay similar values for something that, as you say, is not tangible. So there are two sides to this, you're saying. There are the assets that are digital, in terms of what we're trading, and then the way that we're trading concrete goods digitally.

BJORN CLAES: Yeah. In session about marketing, you talked about that you cannot market a product anymore if you don't have an app about something. That doesn't necessarily mean that your product is always digital. You can have an app to design a car or to design a piece of clothing. So that marketing, that last step to the customer, is digitised, but the rest remains as traditional as it always has been. And it will have been made in a factory in the Far East. It will be shipped through a number of stages to the markets where it will be stored, and when it's sold, delivered to you. And in that sense, the digital supply chain is only affected by the communication that goes through and the flows of information and communication, not by the physical goods flow.

INTERVIEWER: I wonder if the consumer is losing touch with all of that.

BJORN CLAES: I think we think about it less and less. It's almost like a generational issue. I'm still of the generation that if I buy music, I want something in my hands that I can hold onto, a CD or, if anything, somewhere on a hard disc where I have the good. I think much of the younger generation, increasingly also the generation of my age today, it doesn't really matter where it is. It can be on the cloud, as long as I have access to it when I want it.

INTERVIEWER: Exactly. They want it now. And even, they're prepared to no longer just buy music, but to actually stream it. So buy a service. That doesn't mean that they own anything.

ROB MOORE: They consume it.

INTERVIEWER: I could see why this is so complex. I'm going to ask you, Rob, now the very basic question before we go down any dark and muddy alleyways and things. So supply chain management, then. Can you just give us a definition about what that means to you, and how the digital economy impacts on it?

ROB MOORE: OK. Well, at the basic level, supply chain management is managing the supply chain. And the supply chain is all the stages of a product or a service being created all the way through to it being delivered and paid for. And that's a supply chain. The digitisation, if we're talking about

that aspect, the process, is how those interactions are happening in it through technology rather than through physical means.

As we just discussed, there's the other aspect, which is the digital supply chain, which is the supply and the provision of digital goods and services. So two different aspects will mean two different things. And we're going to cover both. We're going to talk about both aspects. That the process of physically purchasing, or digitally purchasing, or supporting that process, and the new goods and services that will come through this new medium, through technology itself.

INTERVIEWER: OK. Brilliant. So how are we going to talk through this then in terms of the first stages?

BJORN CLAES: I think a good approach would be to distinguish the different flows that are in the supply chain. There is basically three flows. There is an information flow- the customer telling or communicating what he or she wants, and then it goes up to the supply chain all the way to the raw material supply. And then there is a goods flow that supplies whatever the customer has requested. And then there is the money flow, and that is necessary to make the thing happen.

And increasingly, that gets bi-directional. It used to be, I indicate what I buy, and I buy and I get what I ordered. And so the information was going up, the goods were going down, and the money was going up. And now increasingly, you see that going two ways. And with the reverse supply chain, all the recycling, the products that go back-

INTERVIEWER: If not even more top down, because some of the things I'm buying now, I have no idea I absolutely need it. And now I'm convinced of a need to buy some of these things because they my life easier. And I think digitalisation is one way that we're saying, actually this app could make my life easier. Actually, buying a streaming service would mean that I don't, then, have to manage my music in this sort of way. So we're being sold concepts in this digital way to make our lives easier that we may not have even been able to conceptualising in the first place.

ROB MOORE: We're also being given levels of control and choice that we didn't used to have. One of the examples that we looked at is the purchase of a new car. If you go to the Mini factory down at Oxford- and we've got some nice videos on the OU site about Minis- up to seven hours before production, you can change your mind over what goes onto your Mini.

INTERVIEWER: Right.

ROB MOORE: So you can go online, you can change the colour, change the spec, change the seating, change the stereo. And that can all be done remotely. Now, 10 or 15 years ago, if you bought a new car, it was a long day. It all went through the sales room, went through the salesman. You wouldn't dream of changing your mind just a few hours before your car was produced.

But now, it's almost a normal thing. We expect to be able to change and have an instant response. And we're being almost conditioned to expect that. So the generation that's coming through now are able to get this level of interaction with our goods and services that just didn't exist before.

INTERVIEWER: And is this a good thing, then, for the supply chain?

ROB MOORE: Well, but I think that's where it becomes interesting because that's where the functional supply chain management becomes so important. And because of what Rob just mentioned, you go online, you design up to seven hours, you design whether you want a stereo, whether you want to change the colour. That's all nice and well, but somebody needs to deliver that.

And unless you are very, very clear about what you need to change, and to put in the stereo in or out of the Mini, if that's what we're talking about, you need to have it available. You need to know what to do. You need to know who to contact, who to order, or who to cancel the order from. And that is all part of that managing the supply chain.

And so that's why the functional supply chain management has taken over the way we do business. Because it is all about delivering what marketing promises. And it almost goes further. The marketing will have to convince you the first time. But the repeat buys all have to come from how well have you performed, how well have you delivered the product? So it's the one-time sale almost versus the continued sale that has been delivered by the supply chain, by that ability to deliver up to promise.

INTERVIEWER: This is a massive shift in terms of how we're perceiving things, how we're getting our goods and services. And of course, with that comes a level of preparedness. And I wonder how our audience felt about how prepared their organisations are for some of the changes that we're talking about now. So can we have a look at the results from those voting widgets that we showed earlier?

Virtually no one feels fully prepared. Well, that could be that they're very realistic about it. It

could be that they're aware of the complexities and the issues around that. There's a lot in the middle also who perhaps feel that they've done some work, but maybe not enough. Maybe they don't know what is enough.

BJORN CLAES: Well, I think it's a matter of maybe they just can't keep up because it changes so quickly. The world is now a [INAUDIBLE] marketplace, right? And that means that you also compete with the whole world. So before we knew- before, like a century back- we knew the context of our village and that those were our competitors.

And we know who everybody was. And now, the competition comes up from the most unexpected places. And new ideas come up from the most unexpected places. Again, imagine if the audience says that they feel unprepared, because it is a massive- the speed is staggering. The way things change, the way things come up, the way things go wrong. That is good and bad, right?

INTERVIEWER: So would it be foolish to say that you would be fully prepared then? Is there a level that you can't be? You always have to be reactive to some extent.

ROB MOORE: If you're fully prepared now, you won't be in an hour's time.

[LAUGHTER]

I think it's that realisation that to think you are at the end is to be wrong.

INTERVIEWER: OK. Well, I'm very glad. I think at home, everyone is on the money.

ROB MOORE: And if anybody felt they were completely prepared, because if it- well, if they are, then that would probably be out of date very quickly.

BJORN CLAES: I think also the definition of being prepared may change then, right? It's not just prepared because- I am prepared because I know that that audience in the particular market wants that. I think the preparedness these days becomes much more, in fact, from how quickly do I know how to change? How quickly am I prepared to change what I thought was the key of success in a particular market? And that proves out that something has changed and it all of a sudden is not true anymore.

INTERVIEWER: But there must be some aspects of the supply chain that offer more agility than others. I mean, some areas will be quicker to change than others. So for example, responding to customer

insights, responding to feedback might be quite a quick way of changing a perception about something and convincing customers to buy more of your product than others. Changing who you're buying your steel from, for example, might take a lot longer. So to what extent, then, in that supply chain is this reactivity important in terms of that whole process?

ROB MOORE: Well, there's one danger. Remember we talked about the example of the Mini earlier. It's OK, BMW offering you all these options, but the only way they can fulfil those commitments is if their suppliers, and further down the supply chain, are able to respond equally quickly. So one of the impacts we might see are the larger organisations, larger companies offering things. But then they will be relying on their supply chain to make sure they can meet those promises.

So when we talk about different steering wheels, for example, on your Mini, if you've got an unlimited choice of steering wheels, BMW can't keep a whole range of steering wheels in stock in case somebody wants it. They need those to be delivered in time for it to be made. So again, the complexity of the supply chain goes right down the chain. It doesn't just stop with an organisation. It reaches all the way through.

INTERVIEWER: So that's deciding how big your chain is, how many assets you want in it, which areas.

ROB MOORE: But it's also, I think, the nature of the product and the nature of the market. And it's the new models coming in. And if you looked at the airline industry 30, 40 years ago, and you look at it now, there is a distinct- there's a clear division in the traditional carriers and the low cost carriers. And the low cost carriers, their core product doesn't change much.

So there, your supply chain is very, very stable. It may change as all these extra services that you can come in, and that may have a certain amount of unpredictability, but the core product is actually very, very stable. And they can offer that low cost because they have undressed it all. And you see that happening more and more.

The airlines started with it, but now Dell, a couple decades ago, started with it, that you buy a core computer that is this price and then you start adding on. And it's add-ons that kind of what makes the product unpredictable. Because you don't know exactly what your customer wants. But if now say, well look, here's the core product, this is where we start from. And that is what drives the low price. And then you start adding onto it with the likes and the preferences.

INTERVIEWER: And this all relates to consumer choice and how much we're pushing the suppliers to give us

this choice, to give us these add-ons, to drive the base cost lower. Are consumers actually winning by having this much choice?

I mean, my easyJet tickets, for example, I'm sure are a lot more expensive than when I just had to buy one price. Because now I'm saying, well, I do want seats. And I'd rather they were here. And I would like this. And I'm adding on things that I think are perfectly reasonable. Yet if someone were to say to me, would you rather have choice and pay this much or no choice and pay this much, the decision seems to be so far removed from that base level that it's almost lost in terms of how we're buying products.

ROB MOORE: I think the basic part of what you just said is true, but in reality, you can fly very cheaply on easyJet if you don't mind. But so for some people, that is exactly where they want to be. And I think that's the clever- where we're going up to marketing a little bit. That's the clever marketing aspect is you can actually do that. And it's your choice not to.

BJORN CLAES: It makes you see that it's kind of also the training of your customers, right? Or the education of your customers. You teach them, this is the cost for the basic good. And this is kind of maybe where you can compare the easyJets and the Ryanairs. But then for the true cost, it becomes quite difficult to compare them.

INTERVIEWER: It becomes very difficult. And I think some people don't.

ROB MOORE: Well, that's where the customer may actually rather be losing than winning. Try to find a new telephone mobile provider, it is incredibly difficult to figure out what the price is, because you never know exactly what you get in the basic contract and what you need to add on, and how it compares. Because not even the measures of the different supplies are the same.

And the minutes that you get here, the cost for roaming, the cost for calling from abroad, it becomes incredibly tedious to compare that. And is the customer winning? I don't know. I don't think they are. Because ultimately, you could almost accuse those big providers for sustaining that lack of clarity, because that is where they probably make their profit from. easyJet doesn't make the profit- or the easyJet and the likes, they don't make the profit from your core flight. They make the profit from all the add-ons that you add to it.

INTERVIEWER: Yeah. But is this a marketing issue or a supply chain issue? Because we were talking earlier and you were going, oh, no, that's marketing. Oh no, that's corporate social responsibility. So I'm just thinking about that this supply chain- and going back to the idea of add-ons and things.

In the '80s, it was a joke about buying a BMW with no carpet and radio. Maybe not with BMW, but this is a reality. You can buy things and select.

BJORN CLAES: That's an interesting observation that you say that, because ultimately, you see that there is no clear distinction between marketing and supply chain anymore. It is very, very interwoven. And increasingly, customers, regardless of whether they buy a product or whether they buy a service, they don't buy the good or the service as such, they buy the experience that goes around it.

And the supply chain of an experience is incredibly difficult to define. It's not this glass of water that you buy. It's the sensation of being refreshed that you buy. And the supply chain, the physical supply chain, the moving around that glass or ordered water, that is only a small component in the whole part.

INTERVIEWER: So you would argue, then, that brand is a component in terms of the value that's associated with the product. There is this softer edge of a supply chain, if we were to look at it, I guess, it's soft and hard terms. The brand- so which water we chose to buy, whether we choose spring water or mineral water, how refreshed we feel by our experience of drinking this water.

BJORN CLAES: That is the perception that is created around that water, but it's also whether that refreshment is there when you need it, or when you were promised that it would be there. There is no point in having a refreshing glass, or the idea of a refreshing glass of water, if it's not being delivered in time and in the place that you need it. And that's being linked to the brand now. We can say, well, this glass of water, whatever brand it is, is very nice, but if it's not there, it's was not a reliable source of refreshment, I don't need it. I don't want it.

ROB MOORE: And sometimes when you talk about water and the fact that one of the biggest supply chains we've got is our water industry, we take for granted. The thought that you couldn't turn the tap on and get a glass of water. But we don't have the same sort of response if you can't get your bottle water from the supermarket.

Again, the supply chain- I like to see these taste tests where people compare tap water with bottled water, and quite often they can't tell the difference. Or the tap water is quite horrible and-

BJORN CLAES: That's an interesting case when you talk about it, because they have the most efficient possible supply chain of a good that brings cool refreshment. It's just a tap in your kitchen. You

can fill it. It comes as cheap as it gets. And yet, if you go to the supermarket, how many people in there and their trolly's full of the little bottles that they carry around? And that are an incredible cost to them, to the supply chain, to the environment, to society as a whole.

And yet we decide to go for that inefficient, expensive supply chain because the perception around it is different. That the perception is that that water out of the bottle is better or more refreshing than this glass of water, which seemingly comes out of the tap because I don't see the bottle. And that's an interesting thing. There we teach our students how to make their supply chain efficient. There you have an inefficient supply chain and people kind of reject for non-obvious reasons.

INTERVIEWER: So you talk about this supply chain and the choice that consumers have, not only of what they're consuming, but which supply chains they're consuming, or choosing to engage with. And we had a session earlier about corporate social responsibility and about governance, and about the extent to which corporations were impacting good practises. And how consumers then interacted with those. And there was quite a dichotomous argument, I guess, in terms of whether it was consumers' responsibility to choose the more ethical sourced products or corporations for enforcing the legal requirements, or even going above and beyond that.

But you're saying here that consumers can choose to engage with various supply chains. And these supply chains are obviously fixed in terms of the goods and services that are promoted down the line. But there are these issues in terms of the choice that people have at various points in those chains. So some would be better to engage with than others.

How is the digital economy impacting on that when so much of what we want is here and now, so much of the way that manufacturers will trade is based on quick and easy access to where those commodities are, to managing the production process so closely in terms of what's happening on the shelf? We can get such good insight into how many bottles of water are being sold here, therefore how many we need to get there, therefore da-da-da-dah. So a supply chain is being managed very effectively in that digital economy now, but yet consumers have the choice to engage with it.

So where is that line then between how much, I guess, weight consumers have in terms of influencing that, and how quickly then the corporations need to respond to that consumer demand?

ROB MOORE: I think one of the questions in what you said is that the speed at which we can change supply

chains- for certain products, not for everything. But for certain products, we can change very quickly. But the ethical aspect will be one consideration in supply chain. If we need fast response, if we need the supplier to store materials for us, or to watch our stock and make sure we've got what we need when we need it, the ethics almost drops down. Because to provide- you're able to become a secondary consideration. I'm not saying it's not important. But if you have committed to flexibility and to respond to your customers quickly, that will be a primary concern.

INTERVIEWER: So there's this hierarchy there.

ROB MOORE: I think that's where we're heading. And I don't think supply chains are that transparent.

BJORN CLAES: Well, they may-

INTERVIEWER: Hah, disagree with.

[LAUGHTER]

BJORN CLAES: No, but remember that we said that the supply chain is basically a series of flows of goods and resources. Well, goods, money, and information. And the digital supply chain allows us much, much more information. And that comes into a kind of an accountability of how big organisations are managing their supply chains. Where do they get it from? How do they get it to us? And how do they sell it to us?

If you recall not so very long ago, there was this enormous uproar, and rightly so, about the big supermarkets, or the big retail chains, the Walmarts and probably the Tesco's of this world, where they get their cheap shirts from. And because we have seen and it was all over the news, had the low cost labourers in the Bangladeshi factories that were basically locked in and burned to death because they couldn't escape.

And that affects the supply chain, because that piece of information complements that entire flow of information. And it's not just with the cheap clothing. It is how the mineral resources are being transported, whether or not Volkswagen cheats with the emissions or not, that all affects-

ROB MOORE: Well, they do.

[LAUGHTER]

BJORN CLAES: Well, yeah. It's [INAUDIBLE] but it's is now kind of an issue of what is the legitimacy of those organisations, because something came out. And that information, that spreads like wildfire. Something that 50 years ago simply did not happen. What happened in the sourcing countries where we buy our product, kind of nobody knew about it. And to get that information in front of us took a long time.

But what you see now is that overnight it is- you get these hypes over Facebook and in the social networks, that's what these companies are doing bad.

ROB MOORE: But do you think companies are making their supply chains transparent, or do you think they're trying to hide it, because-

BJORN CLAES: Oh, they will try to hide a lot. But I don't think- nowadays, it's almost impossible to hide the things that they would prefer not to come out. And I think the social media, that is part of that supply chain [INAUDIBLE] is a part of the [INAUDIBLE] flow. And it affects the way we do business. It affects what we are able to do and how we can do it. And it affects how we behave and respond to it.

And that is a tremendous change on how we organise ourselves. What we allow and what we not allow. What we show to our customers and what we not show to our customers. It is very, very difficult these days to hide bad behaviour. Sooner or later, it will come out. And these days, if it comes out, it is all over the world overnight. And it can go as far as if it doesn't get to you- you're not prepared for it, you're out of business.

INTERVIEWER: Well, I'll tell you, while we've been talking, the widget has changed dramatically in terms of the level of which people feel prepared. They feel a lot less prepared as a result of this discussion now, with all your scare mongering and whatnot. So people are feeling a lot less prepared, perhaps because some of these issues we're raising.

And I'd like to know if there are any questions in the chat that are coming through, or any things that you can give us that would give us a little bit more insight into why, maybe, you're feeling a little bit less prepared. What might be some of the reasons that you would give, bearing in mind that when we asked people, some of these words came up like technology, quality, partnership, innovation, and finding innovation, two-way engagement, speed, which you've obviously touched on, piracy, risk.

These were some of the things that the people were sort of holding central when we were

asking them in the first place. And now there's a lot more doubt in terms of how prepared they feel in terms of that supply chain. What might be some of the issues, do you think, that people should be mindful of? Why might they be feeling a little less prepared?

ROB MOORE: I like the comments on partnership and risk. And one of the things that the digitised supply chain is going to help us to do is to have those close partnerships. And it enables us to be in a situation where if you've got a supplier that's producing something for you, without anybody interacting, you can see what's in their factory, what state it's at, when's it going to be delivered, when's it actually on the [INAUDIBLE] ball, where in the world is it when it's being delivered? You don't need to get on the phone every two minutes to chase it up. You can just follow it naturally.

So that level of partnership is going to increase. It's there, it enables us to have the sort of response times that we've got. But this also brings a level of risk, because as soon as you are in a partnership, that's where you are both committed. And you need to be in a partnership with somebody that you can trust, and that you can work with.

BJORN CLAES: That's where the thing becomes- that's maybe why people feel unprepared, because that's where it becomes complicated. Supply chains competition these days doesn't happen between companies anymore. It's not you're Volkswagen and I'm BMW and we compete. No, it's my supply chain versus your supply chain.

Hence, it's the supply of Apple- the supply chain of Apple versus the supply chain of some sort- and to name two big competitors. But then if you start looking at these supply chains, and this is where it becomes deliciously interesting, who's the biggest supplier of screens to Apple? That Samsung.

So if I now need to compete as one supply chain to another supply chain, and I figure out that my competitor is actually the other supply chain who I am competing with, it becomes incredibly difficult to manage. But I need to work- I need to somehow figure out a way of which information do I need to share to be able to compete as a supply chain. And competing as a supply chain means that you're not my competitor, you're my partner. And if you're my supplier and I'm the buyer, we need to work together. We need to make our planning together, we need to make our risk assessments together, and we need to almost operate as if we almost were one company. Because otherwise, I'd lose out on competitiveness.

INTERVIEWER: So, I mean, Samsung tablets are very popular. And if they're then having the same screens as

Apple, does that mean that then they are competing?

BJORN CLAES: But they are competing, but they're not the same product. And they have different operating system, they have different characteristics. But the fact is that Apple, somehow, will have to tell Samsung how many they think they're going to buy, because they are supply and they need to prepare themselves. Because if they are supplier and they get too late the order, either Apple misses out or Samsung misses out. And neither of them wants to miss out in their buyer-supplier relationship. The curious thing is the buyer-supplier relationship is now being somehow mixed up with the competitors.

INTERVIEWER: And it's not uncommon, is it? I mean, many companies are trading resources like this. So that they have their end product, and then they have various other things that they're supplying, in branded and unbranded guises, et cetera. So like you say, being part of that supply chain, you've also mentioned this issue of partnership and been locked into things or not, and competition. And to what extent, I guess, some of the larger companies have to make those commitments, have to make products available. Or maybe some of the smaller businesses are more at risk. And suppliers can say, well, I'll have those if they're around. Otherwise, I'll go to so and so.

So this idea of partnerships in a digital economy, how realistic is that, in particular for those smaller businesses that may not have as much say as someone saying, well, I'll sell you this many screens. Because I'm producing so many, it doesn't really matter, give or take. But for a small organisation, it may matter a lot more, and they may not have the control within that relationship to be able to have good trading relationships.

BJORN CLAES: I think it depends on the nature of the relationship. If I just need a commodity, if I go to Alibaba and source it in China, it doesn't really matter whether I know the original manufacturer of the commodity, because I can assume that the commodity from one supplier is virtually the same as the supply of the commodity from another supplier.

However, if I need to go develop a product, if I need to organise a promotion- if I'm a supermarket, then I'm going to put the wine on promotion. And he's the chateau, he needs to know that I'm going to do a promotion, that there may be a certain surge in demand, and that he is prepared for that. Because otherwise, either I promise something to my customers that I can't deliver because he doesn't have it. And he will say, well, you didn't tell me that I needed it.

So I need to work with him. I need to pass information over to him that he can able it, but that means that I kind of need to share with my supplier my strategy, my planning. If I know that he's also supplying to you and you are the competitor, then I can get uncomfortable. And I think that's where maybe companies start feeling unprepared now, because it becomes increasingly unclear who is your customer, who is your supplier. Because sometimes you customer is your supplier. Sometimes your supply is your competitor. And sometimes your competitor is your partner. I mean, it becomes very, very difficult to manage.

And there is not a single solution anymore. And there is not a single example anymore in the market. You can say, well look, this is the template, as long as we follow that we should be fine. I think it is now a lot more the responsibility of the entrepreneurs themselves, or the organisations, or the traders themselves to create this understanding of the supply chain at the conceptual level, but also at the simple practical level of who is doing what, where are they connected, how are they connected, what resources do they have available, how can they serve me, and how can they threaten me? And that puts a lot of extra knowledge requirement on the entrepreneur. That's probably partially where this sense of unpreparedness comes in, because now, again, we are not doing local business anymore. We're operating globally.

INTERVIEWER: But again, there are different power relations at play within that. So you're talking on the assumption that everyone can just be realistic and rational and say, well, I'd like to do this. So that's all very well and good. But we know that in business, there are various issues about driving prices, speed, and ability to deliver things. And those will impact, depending on how much power these organisations have within that supply chain.

BJORN CLAES: They have, but I would argue- and I'm not trying to talk their behaviour in good, or I won't say that all the big companies are angels. By no means. They will use their power wherever they can. That's business. But you can also say that, like if you look at the Walmarts, and I'm the Astas, actually, in the UK here, right? Of course, if I am in one man company supplying to a giant like that, I have absolutely no negotiating position.

But Walmart is not interested in having to change their suppliers also every other day, because they'd run the business into the ground. They're not interested, even the Walmarts of this world, and the Tesco's, they are interested in stable, reliable suppliers. So they will be very, very keen to develop me rather than to abuse me.

INTERVIEWER: And then, of course, those independent companies are very keen to be a supplier, so they

may offer very favourable terms.

BJORN CLAES: Well, yeah. But then it becomes that if these big companies can do with fewer suppliers, it's in their benefit. Because managing 10,000 suppliers is much more difficult to managing 1,000 suppliers. So you want to be amongst the thousand suppliers, but that basically means that you have to show commitment. And that commitment almost goes- well, it's supposed to go both ways.

And that brings risk. Because if the big organisation then will say, well look, I don't want you any more, I lose my only customer, or my only supplier, depending what relations. And that's risky.

INTERVIEWER: Well, there's also this assumption that you make a trading agreement, on that is static, whereas that isn't always the case. So things will change often. We will start to negotiate as we're moving along various issues, like the extent to which you're supplying something, products. Even for the supply who's maybe supplying a larger company, their materials may shift. So this is a very complex interaction where people can get squeezed.

BJORN CLAES: Yeah.

ROB MOORE: We're also talking quite a lot about products at this point.

INTERVIEWER: Yeah.

ROB MOORE: And I think one of the opportunities that the digitisation of the supply chain brings in, and digital services, is the opportunity for the small organisation to actually provide services remotely. We talk quite a lot about enterprise resource planning.

You can outsource that now. That used to be a big function. You used to have your procurement team, and they would be monitoring all of your goods and services. Now you can actually do this all in the cloud, very simply, with one person taking the responsibility of the whole department. And a small organisation can provide very niche services to a range of other organisations.

INTERVIEWER: OK. So tell us how that works.

ROB MOORE: OK. So we're getting to the area now of this almost software as a service. Which is- I'll use the example of a website. If we go back about 10 years, if you wanted a website, you would go

out, you would hire a website designer. They would come in, they would- lots of hours and charge you lots of money, and you would get a very nice website.

Now you can go, and for very little money, probably about 15 pounds a year, you can rent a website off at one of the very popular companies that are out there. They will give you the basic building blocks. And anybody with basic knowledge can build their own website. It won't be as good as the ones that the website designers used to build, or still do build. But you'll get something passable for very little money.

And there's this concept that you can exchange some of the quality for ease of access and for low cost. So small companies can set up offering these services and support fairly large numbers of people in doing that. Again, because it's digital, there are no products to hold. The only thing you need is a rather large server to hold all the information.

BJORN CLAES: And it increasingly gets that you don't even have to have that anymore.

ROB MOORE: This is true, yes.

BJORN CLAES: I can have an incredibly profitable online business without having a website. Now I'll just call the chaps from Amazon, and I'll be a supplier to Amazon. I use their website. I use their payment system. I used their customer service. And I only supply the goods.

I don't even have to maintain my own website anymore, but I do get this whole transparency. It doesn't protect me, though, from keeping an understanding of the supply chain. What is the demand that I can expect? Where does it go? What is the cost of getting it there? And how does that enter in my business model?

And I think if the only remedy to change that sense of insecurity is getting the knowledge. Getting a good idea of how it works. I think in the last decades, the functional supply chain management, the part of it that has grown out of this realisation is we need to get a better grip on this.

Marketing and sales have been important areas in business school since we started business schools, basically. But now there's this realisation that it is relatively, I won't say it's easy, but it's somewhat easier to promise. But then you need to deliver. And at delivery in a world where the world is your competitor, it's hard to do.

INTERVIEWER: I'm very mindful we're talking tomorrow about the future of all of this. But I do just want to

touch in terms of where it's going without going over too much of tomorrow's material, because that will be interesting in itself. But you mentioned this whole thing, you could just tap into Amazon. You could tap into a supply chain that's already set up there for you.

So what is the point then of having your own supply chain and managing that, complex as that is? Where is all of this going in terms of- I'm thinking more in terms of tangible goods here at this point? How important is that to monitor and control your own supply chain, and what's the payoff when you could have other options?

ROB MOORE: You need to be looking where the advantage is coming from. And that's where supply chains [INAUDIBLE] comes into strategy. If there's no strategic advantage to having your own supply chain, then you won't. So the strategic advantage either comes from the speed in which things can happen, or the quality that you're buying or you're being supplied, or the intellectual property. Something that you don't want to share more broadly.

So if we're talking about commodities, then absolutely straight through Amazon as quickly as you can get things through. As long as you know they're reliable, it doesn't really matter where it comes from. So you start to focus your supply chain on the critical aspects that are going to give you competitive advantage.

INTERVIEWER: Does that mean there'll be less supply chains?

BJORN CLAES: No, no. Well, every good has a supply chain. And unless the number of goods will go down, the supply chains will not go down. But I think what organisations need to have very, very clear is what they're actually selling. Are they selling the pure good? And how are they selling that? If I sell glasses, do I sell that glass on being the cheapest?

If I'm the cheapest, then maybe try to stay away from this whole website idea of I need to present myself and I need to promote my glasses. It would be much more efficient for me to go to a business that is driven by Amazon, by eBay, and by the likes.

If, on the other hand, though, if I sell an experience, an image, and kind of interaction, then maybe that model through Amazon or eBay just doesn't work. And I need to be able to explain at my customers what it is what they are buying. And that the glass is maybe a part of that supply, of that good that they buy, but it's not everything. But then the basis for my competitive advantage doesn't come from the cost of the glass. It comes from the image that I attach to the glass.

INTERVIEWER: Again, so going back to this whole idea of brand being attached to that, and having a value of its own right.

BJORN CLAES: Yes. If it were only that simple. I can sell branded jeans through my Amazon website. And the brand has purely an attachment, or maybe asking a premium for that. But I still sell based on price.

INTERVIEWER: But you could have a brand as a supplier and your five star ratings, for example. So these brands are becoming subdivided now in terms of these online retailers and that access. So it's not quite as- like you say, it's not quite as clear cut as actually just having a route to market. There are still these things that customers will choose one over another, especially when there is so much choice and pennies in it.

ROB MOORE: Well, I think you touched on the risk aspect there with the five star rating. And when we're looking at these commodity supply chains, we are looking for how good is the supplier, how reliable are they? What is the experience other people have had? So if you are looking for an experience, you will read those reviews. I know I do when I'm buying anything from a company I've not dealt with before, I will read the reviews and see, was this a good experience? Can I trust them?

INTERVIEWER: And they have a value. I'll often choose something that's a little bit more expensive because I know get it quickly.

BJORN CLAES: I think that's why the digital economy has kind of upset the traditional economy a little bit, because what you now see happening is that I'm in the market for a new suit or something, I'll just go around all the shops and try and just figure out what's the brand here. And then I go and buy it online because it's cheaper.

And so there is now this realisation that the bricks and mortar suppliers will have to redefine their offering. For those, it's again, not the product that they offer anymore. Because if it is the pure product what they offer, they just can't compete with those who are online and do not have all the overheads that they have from the physical presence in the High Street.

So the shops are now becoming more and more places where you get an experience. And as part of the experience, you consume or purchase the product. But you go to a shop not just to buy a suit and go out anymore. You go into some- and the bricks and mortar retailers are still in the adjustment process. You see still shops going out of business. We still struggle with the

High Streets that are emptying out.

INTERVIEWER: But many of them also engage with a digital network as well-

BJORN CLAES: Well, they have to or they-

INTERVIEWER: -on the sly. So you know-

[INTERPOSING VOICES]

BJORN CLAES: -they're fighting back, and they're trying to find their way of offering it. But it's not necessarily always positive. Because how often do I hear, well, like I was going to a shop and I didn't see anything what I saw online. And it doesn't- so they will have to kind of find the right balance of what is in the shop and what the customer actually sees if he or she goes to the shop and what they find online. And having a tremendous offering online and nothing in the shop makes the shop experience rather disappointing. So the shop will have to come up with something else that adds to the experience.

ROB MOORE: So before we came in to talk, we were exploring the idea of estate agents. And yes, the High Street experience is great. We love to go into shops. But will estate agents, in terms of a physical building with cards in the window, exist in a few years time? Almost every estate agent that exists has got a presence on one of the online property websites.

BJORN CLAES: So that's an interesting, because there is a particular product. You don't buy a house online. Most of us don't. Most of us would like to talk to somebody who knows, and who gives just a confidence that they have the contact network that they know. That if I go into an estate agent, that they will help me, maybe with the mortgage that I need, with the-

[INTERPOSING VOICES]

BJORN CLAES: Well, yeah. But hey, but that's now changing. And what do you do to change and to look for the right estate agent? You go online and you look at the reviews. How well have they helped you, have they helped me? Well, maybe that's an estate agent that I want to go to. And all that is part of the supply chain, right?

INTERVIEWER: So you're almost saying then that the supply chain, with a digital economy, the supply chain is, to some extent, cutting it shorter in that people may not go to the end, the shop. But also it's adding a level as well in terms of that ability to look and choose, and have some different

experience before you consume, or access the product.

ROB MOORE: It's also standardising certain things as well. Because if you've got a competitive advantage in the supply chain, it won't be long before somebody imitates, copies, and follows on. It will come very quickly. So what's happening is we're starting to see all those good practises that we used to see are now commonplace. And it's almost not having those makes you stand out rather than having them puts you in front.

BJORN CLAES: I think it brings- it makes it very, very important that those who are operating in this business environment, that they have their basis for competition very, very clear. If anything, the speed of the supply chain, the speed to which it adopts and changes and offers new threats at the same moment that it offers new opportunities means that you have to be on top, that you have to understand what it is. You have to understand what is your business, why you are in that business, and how that business runs. And that is not just how do we sell, but also how do we source?

And I need to know what is the- if I'm somewhere in the middle, I need to know what is the impact of the retailer on the image of my good. Then I need to think on what's the role of the supplier, and the supplier's supply, and the supplier's supplier's supplier on that. It all becomes, how again, this competition between supply chains. Between on supply chain and another supply chain.

INTERVIEWER: This idea of the High Street, I mean we've seen some big retailers collapse very, very quickly. And obviously, there weren't massive supply chains there. Which of the retailers, in terms of having a High Street presence, are thriving? And does this idea of competition foster innovation? Are people having to adapt more quickly? And then is that good for both the supply chain and consumers?

BJORN CLAES: The case of- the fairly recent case of BHS was an interesting example, because it went down. And there's more than one reason for that. It's not just the supply chain. But one of the complaints was there is that the shop didn't offer any- it didn't stand out in anything. The clothes were OK, but they were not necessarily standing out. There was no experience there.

INTERVIEWER: So this issue of having a clearly defined strategy.

BJORN CLAES: Well, yeah. That is made clear to the customers as part of the experience. If I go to- and a very successful company is Marks & Spencers, the supermarket, because it is a different

experience. If you go to either the Waitrose or M&S, the food courts, or the food supplies, as if you go to the Tescos and the Lidl's of this world. And people go there because there is this perception that it is.

And the perception is not only perception, it is also what is the quality of the goods that you supply, what is the selection of the goods you supply, what is the price? And even the experience when you don't like something, and I don't want it and bring it back, or something is wrong with it, how do you respond to it? And that all comes at a price. And customers seemingly are prepared to pay the price.

What you see now is that the retailers have tried to kind of eat from both sides. Kind of struggle. Here it's the Lidl's and the Aldi's that are flourishing. And to be honest, the Waitroses and the M&S's, they're not flourishing. So on the higher end and on the lower end of the market. The ones that are really struggling always try to do everything. And those are the Tescos and the-

INTERVIEWER: Well, they're arguably- people like Marks & Spencer and Waitrose are offering very good value brand. And people are buying into that whole brand and then selecting. Even though they can't arguably do a whole food shop or whole grocery shop at some of those certainly smaller stores, there is this argument there that people are picking and choosing what they want, but shopping from a brand. So they've nailed that idea to some extent that it doesn't all have to be from one sector.

BJORN CLAES: No, but they have understood that the buying is not anymore the physical good that you sell. It's kind of the experience that you come into. How does the shop look like? What is the feeling that I get? Is it the feeling of cheap and quick, and I can buy it as no problem? Or it is almost this feeling of, wow, this is expensive. And because it's expensive, probably it will all be good.

Well, it's good to know you can discuss about this all different discussion, but overall, and I think where the transparency of the supply chain comes in delightfully again, you cannot just raise a perception that the products are good. You need to deliver there as well. Otherwise, it will speak around too soon and you will be punished by the customer. But I think it is that it's clear positioning of what is it actually what you've come to us for.

ROB MOORE: The transparency [INAUDIBLE] is interesting. In a formal life, I used to make toilet rolls. Giant toilet rolls. And the interesting thing for me was working in manufacturing that area, was the difference between a Marks & Spencer quality toilet roll and a Tesco's and an Aldi's toilet roll is

the packaging and the embossing. That's the only difference. It's the same paper wrapped up.

I'm not saying that happens across all goods, but it happens for an awful lot of goods, where the perception when you purchase it is more important, even though the actual product itself is identical. If we knew that from the supply chain, we might behave differently.

BJORN CLAES: But that's where the digital world comes in. It's interesting again. Because maybe it's not for toilet- I don't go online for toilet paper to compare toilet papers. Although I'm sure there are people who are comparing the quality of the toilet paper from the Lidl's and from the Waitroses and see what's the difference.

But I think that happens with most goods these days. Go online in any kind of online store, and the first thing that you do is, what's the price? What does everybody else say about this product? And people buy by it. I buy by it. It's the first thing that you do with everything on travelling, and you go to a hotel that I do not know, is do I have any kind of reference? Do I buy it from a reliable travel agency? But much more important, I go online and check out the TripAdvisors of this world.

INTERVIEWER: But some brands have capitalised on that in a really positive way through the supply chain. I mean, Skoda, for example. So some people are saying, actually, this is a little bit different but, hey, look at where this is manufactured. And actually, you're getting quality because of the way that our supply chain works.

And they've done that very, very successfully, taking a brand that wasn't performing very well into one that is quite credible and respectable and very aligned with sister brands. So companies are using that supply chain to say, we can have these various positions within a sector because of the way that they're manufacturing.

BJORN CLAES: But it's not just the presentation of the product. Companies using the knowledge that is available in the supply chain to make the products up to the standard that they promise to the customer. And I think Skoda has probably learned a tremendous amount from what was available in the VAG Group.

And there, I think, is this sharing of knowledge within a supply chain. What they do also, and I think that is, again, that tremendously important thing of the information flow through the supply chain. It's not just what they do. It's also how they communicate it to you. And the kind of transparency that they create. And what are the kind of quality controls that they do? And

what are more of the transparency, in case of the diesel scandal, may be of question. But let's not go there.

ROB MOORE: What about [INAUDIBLE] again.

INTERVIEWER: I wonder why. [LAUGHS]

ROB MOORE: Recently, we were looking for a small car and we were going around and looking at a range of small cars that were available. And because the supply chains are so aligned in a lot of the small cars, we were looking at a little Citroen C1 and a Toyota Aygo, and a Peugeot 106.

BJORN CLAES: It's the same car.

ROB MOORE: It's the same car. If you take the badge off, you wouldn't know the difference. The slight-

BJORN CLAES: It is made in the same factory. And that's an interesting example of how competitors at one level are collaborators at a different level. And the basis of the competition is not the physical good anymore. Because it's the same product. But it's the service network that hangs around it. It's the badge on the front and the image that the marketeers manage to create around that badge.

But it's of fantastic interest to see how difficult these supply chains have become. And well, difficult, but in the difficulty, it offers as many opportunities [INAUDIBLE] threats. And again there, if you want to deal with the uncertainties, make sure that you understand these flows. Make sure that you understand the relationships. Make sure that you understand the concept of a supply chain and how things are linked to each other in your industry, but also in a conceptual way.

And that makes it a fantastic area, and we can easily talk another hour. We'll do that tomorrow.

INTERVIEWER: Oh, you can tomorrow. And we're out of time for this hour session. But I'd like to end by asking you to give us a little preview about what we're going to talk about tomorrow, because tomorrow we're going to visit about the future. So we've covered all of this uncertainty, all of these issues. Can you give us a highlight of some of the things that we could expect to come out of tomorrow's discussion about the future of the digital supply chain?

ROB MOORE: I think one aspect of the discussion is going to focus on responsiveness and the link between

the end consumer and production. And the way in which the individual is almost taken out of the supply chain. That it will flow through automatically.

BJORN CLAES: I think another area that we probably will spend some time on is also on basically the social developments that are putting on restrictions on the supply chain. The care for the environment, the ethics. So what was seemingly allowed before is not allowed- is no longer allowed. Or it's being assessed or watched. So we need to adjust our supply chains for that, to that.

INTERVIEWER: Excellent. Well, we'll look forward to that. And if you've got any questions about that, do use the hashtag, which is ou_exchange. And of course, when you register for the event, you'll be invited to our discussions on Yammer. So we'll be continuing those, and we'll pick up on some of the things that have come out of that discussion overnight.

Rob Moore and Bjorn Claes, than you very, very much for joining me. We'll be back in a couple of minutes. And Holly Jack and I going to sum up some of the day's activities, some of the things that we've been talking about on the chat and through these live sessions, some of the things that have come up through Yammer. And we'll be talking a little bit about what's coming up in store for you tomorrow. So if you join us for the [INAUDIBLE] of the day and the preview of tomorrow in a couple of minutes, I'll see you very soon.

[MUSIC PLAYING]