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RUSCA & SUPPLY CHAIN

Rutgers University Supply Chain Association

The Move to Digital

The use of digital platforms has significantly transformed the way supply chains must operate to support the processes of responding to customers' shopping behaviors, executing transactions, shipping goods, and building customer relationships. In this issue, our articles highlight how digital has pushed supply chain companies to adapt and take advantage of this new vehicle for business operations. We hope that you enjoy RUSCA Newsletter's last issue of the semester, and RUSCA would like to thank the Newsletter team and the SCM Department for a successful Fall 2016 semester!

RUSCA is now corporately sponsored by J.B. Hunt!

For RUSCA-specific events, see page 8

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Black Friday is Dimming and Retailers Should Listen

By: Brandon Daley

November is a time of giving thanks to those around you, spending time with those you love, and, above all else, turkey. But hidden under the mounds of mashed potatoes and homemade stuffing are many tantalizing offers that stores dangle on a day dominated by deals: that day is "Black Friday", though this year's may begin with a lowercase b.

In recent years, the rise in e-commerce has caused Black Friday to lose some of its shine. This can be attributed to changing tastes in consumer demand, decreased approval of product quality, and lower levels of customer satisfaction. Buyers desire the right product at the right price in the right way, and this, for many, means turning online. Per a recent JDA survey in which 1,000 respondents participated, 34% of buyers intend to change their purchase behavior, 20% of buyers plan to split in-store and online, and 31% of buyers intend to exclusively browse from home ("Black Friday Losing", 2016). Technology has shaken the way we shop and it's time brick and mortar stores sit down and listen.

Online shopping has simplified the buying process for consumers. Consumers want it all, and they want it all now. However, they just don't want to work too hard to make their purchases. Through online shopping, customers are a few clicks closer to that Peabody coat or a la mode beanie. Yet, in spite of the rise in online shopping, companies remain steadfast in charging shipping fees; this needs to change. When reduced, and even free, shipping is offered, spending, assuredly, has gone up. 69% of respondents confided to overindulgence for costless shipping, a number likely to increase if companies shift their shipping policy more ("Black Friday Losing", 2016). It is inexplicable why this has yet to be done.

E-commerce has also led to the rise in BOPIS, or "buy online pickup in-store". Especially during the holiday season, this purchasing method allows customer transactions to flow significantly smoother. Over time, the movement has gained traction as a hybrid between buying online and purchasing in-store, and though severely underrated now, it will be more adopted as time goes on. Currently, only 46% of retailers employ BOPIS, but this is a 33% spike over JDA's 2015 findings ("Black Friday Losing", 2016). Imagine what that number will be in five to ten years. This, by no means, is bad for our brick-and-mortars. It's a product of the time we live in, but if big branders are smart, we

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"...there remains a growing gap between consumer satisfaction online and in-store, to the point where it isn't worth the people's time to make the trek."

should see lagging retailers work more around this trend. Festive food samples, lively music, better in-store deals, and incentivized store memberships would surely help to lure customers back for more. Effective omni-channel retailing requires the partnership of the physical store and its online brand, and it's time for the merchandiser to elevate its game.

Finally, there remains a growing gap between consumer satisfaction online and in-store, to the point where it isn't worth the people's time to make the trek. In 2014, only 63% of U.S shoppers were fulfilled by their retail experience; that number is unacceptable ("Satisfaction Online In-Store Shopping", 2014). For this blip to be resolved, retailers must keep customers engaged through in-store discounts, better shopping environments, and a more energetic sales force. Otherwise, customers will have no incentive to leave the confines of their own homes.

In the end, the onus lies on the company and the signs for improvement are there, but the change must start now. If not, Black Friday, I'm afraid, will officially go dark.

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The E-Commerce Boom a Boon for Courier Services

BY: CHRIS DOYLE

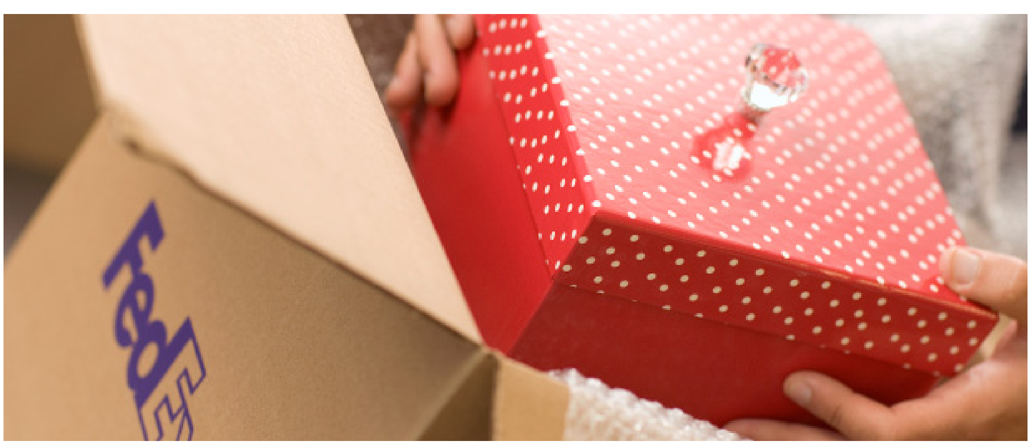
Companies nowadays are thinking e-commerce: Wal-Mart purchased Jet.com and slowed its brick-and-mortar store openings; Amazon continues to expand its Home Service to more cities while looking to gain a foothold in China, where the dominant e-commerce giants are Alibaba and JD.com; meanwhile, Alabbar, a Saudi sovereign wealth fund, launched Noon, an e-commerce firm to operate in the U.A.E and Saudi Arabia with hopes of expanding to the entire region in the near future. All signs point to a marketplace entirely over the internet. Operating in the matter of seconds, e-commerce has revolutionized how companies must view and operate their supply chains. The goal now is to speed up the physical processes to match the electronic processes.

Into the picture step the courier services: FedEx and United Parcel Service (UPS).

UPS announced a $400 million, multiyear investment into expanding and modernizing its distribution network. This investment comes in the form of a 1.2 million square-foot, highly automated distribution center "capable of handling more than 100,000 packages an hour" just outside of Atlanta, Georgia (Phillips 1). Likewise, FedEx invested $2 billion into "more than 12 million square-feet in the form of four major distribution hubs and 19 full-automated facilities" capable of handling 15,000 packages an hour. The new facilities are "designed for high-throughput sortation, minimized handling and more direct loading that will increase the speed, efficiency and reliability" of their distribution networks (Phillips 1).

This investment into "smaller, satellite," automated facilities without having to hire too many more workers goes a long way in helping align the speeds of the electronic and physical processes (Chao 1). The greater automation and number of facilities facilitates quicker delivery of packages to the customer. The closer proximity in delivery hubs also reduces the number of transfers between the destinations, which is the cause for most service issues. With more shipments comes the added risk of more customer service problems with the current facilities. By expanding and modernizing their distribution networks, courier giants like UPS and FedEx can better satisfy their customer's needs and demands. Taking that leap requires a significant financial commitment to the changing times, but it is imperative to keep their supply chain relevant in order to profit the most from the e-commerce boom.

The previous holiday season saw FedEx's total volume exceed 25 million shipments per day three times during that span (Chao 1). This holiday season will again test the capabilities and customer service management of



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"Operating in the matter of seconds, e-commerce has revolutionized how companies must view and operate their supply chains. The goal now is to speed up the physical processes to match the electronic processes."

the major courier services. With more investment into e-commerce platforms both internationally and domestically, there must be further investment into the logistics of commerce.

Learning to Trust Bitcoins

BY: PHOEBE ARBEITEL

With the uncertainty surrounding global markets and currencies after the recent Presidential election, bitcoins have never been more relevant. Bitcoins act as a form of independent, digital currency that allow users to make purchases without the use of a middleman or bank. However, blockchain, the technology behind bitcoins, is not without controversy (Rometty).

First, the volatility of the price of bitcoins alone is enough for many people to steer clear of the currency. Second, security raises major concerns. Presently, users have to set up an account with a bitcoin exchange firms in order to trade, leaving them vulnerable to ransomware attacks. Attackers take control of systems and demand payment for their release. This issue has become four times as relevant in 2016 alone, leaving users in one of the many legally questionable positions associated with bitcoins (Elliot). Third, tax considerations increase inconveniences with bitcoins. Purchases of consumer goods made with bitcoins are still subject to taxes, yet encryptions and anonymity make it nearly impossible for the IRS to track such virtual currencies (Rubin).

Despite these concerns, and even its association with Silk Road, an online drug marketplace, bitcoins are gaining viability as banks, exchanges, and business alike explore their full potential. By allowing users to "track items or transactions using a shared digital 'ledger'", blockchain offers users with an error-free way of logging information (Rometty). This drastic improvement over current systems has led IBM to predict that "applying blockchain to global supply chains could generate more than $100 billion in annual efficiencies" (Rometty). The New York Stock Exchange has already started to post the US dollar index of bitcoins, and the World Economic Forum states that 80% of banks are currently working on implementing blockchain into their projects (Osipovich, Rometty).

Suspicions surrounding blockchain technology will not go away on their own. The Linux Foundation Hyperledger is a project that aims to create an "enterprise-grade blockchain framework" that over 80 finance and technology organizations have already joined (Rometty). With a waiting list of over

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600 additional firms, this consortium has the potential to aid companies in ethically integrating blockchain into their supply chains in order to bridge the gaps that globalization causes.

HYPERLEDGER PROJECT

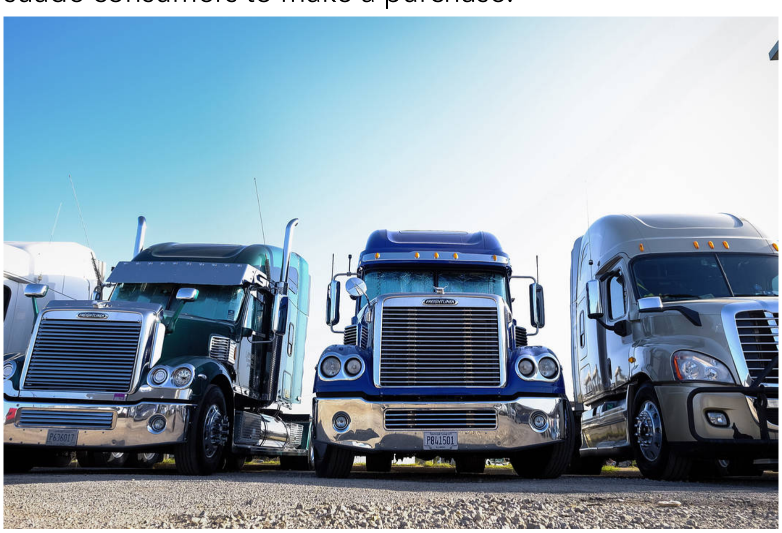
However, this does not negate the need of a transparent governance system to regulate the usage of bitcoins. While many gravitate towards bitcoin due to the anonymity it provides, this lack of identification makes it easy for hackers to make money by simply holding an individual or company for ransom without the fear of getting caught. As a result, it is important for businesses to build relationships with affiliations such as the Linux Foundation Hyperledger, which can aid companies in using blockchain technology to expand their global reach and simplify business logistics will providing them with a level of security otherwise not guaranteed.

"Despite these concerns, and even its association with Silk Road, an online drug marketplace, bitcoins are gaining viability as banks, exchanges, and business alike explore their full potential."

The Power of Social Media

BY: KRITI SINHA

In today's world, social media is ubiquitously used. It is estimated that for every five minutes individuals go online, at least one of those five minutes is spent on some type of social media network such as Facebook, Twitter, and Instagram. Statistics show that more than 79% of adults in the U.S. use social media on an everyday basis (Lee). Individuals consistently visit and use such social media sites in order to post pictures, update their posts, and to learn more about different events/products. As a result, social media has become a popular stage for companies to market and advertise their products: by mainly posting new products and discounts, companies use social media to persuade consumers to make a purchase.



This use of social media as a marketing tool has spread to supply chain companies. Supply chain companies also post on social media in order to market their companies and to inform about their services in general. There are four top supply chain companies that excel in using social media: Cerasis, Kinaxis, Transplace, and UPS Longitudes.

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Cerasis is one of the top freight logistic companies. It is rated as number one in terms of social media usage. Cerasis excels in social media because it posts frequently and posts relatively new, high quality, engaging, and informative content, as well as up-to-date information about its services and products. Kinaxis is rated as number two. It offers "advanced supply chain management systems to customers in a variety of discrete manufacturing industries, offers in-depth blog posts and is consistently active in social media channels such as Twitter, Google+, and LinkedIn" (Lee). Transplace is rated as number 3 and mainly provides transportation management services. It consistently posts interesting and informative articles on Twitter several times a day. This company is very much active on social media, even operating its own YouTube channel where it markets its products and services to customers. UPS Logistics is rated as number four. UPS runs a blog, which talks about trends that shape the global economy, onto which it constantly posts new and innovative information. UPS Logistics is also known for quickly responding to customer comments on its blog posts.

"...using social media will be critical for companies to build relationships with their customers, which is fundamental to building and maintaining a strong supply chain."

Among these four companies, there are three common qualities that differentiate these supply chain companies from others in terms of social media usage. First, these companies post on a daily basis. The more a company posts, the more it is reaching out to potential customers who may be interested in the company's services. Second, these companies engage readers with their posts, as evidenced by the "Likes" and comments received on their posts. Third, these companies' posts hold significant value and quality, which help to attract customers to visit a company's' website to learn more information and potentially even purchase its supply chain services.

As shown by the customer engagement levels that can be achieved from utilizing social media, more and more supply chain companies should use social media to market themselves and their services. Especially in a current environment that revolves around this digital platform, using social media will be critical for companies to build relationships with their customers, which is fundamental to building and maintaining a strong supply chain.

RUSCA EVENTS

This past semester, RUSCA hosted the following events and information sessions:

RUSCA Kick-Off Event

Diageo (Information Session)

Intel (Information Session)

JP Morgan (Information Session)

Excel Certification Course

Guest Lecture - Dr. David Schreck

End of Semester Event (First General Interest Meeting)

Next Spring 2017 semester, be on the lookout for the following events:

General Meetings (Topics: Career Development Workshop, Alumni Panel, etc.)

Case Competition

United Nations Site Visit

End of the Year Banquet

RUSCA's Mission Statement:

To inspire our RBS students into learning more about Supply Chain Management and its opportunities, as well as to serve as an intermedi- ary organization on behalf of the RBS student and support the student in the pursuit of a successful internship, co-op, or full-time offer, most especially for our Supply Chain majors.

Want to know more and stay up to date with RUSCA events?

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