

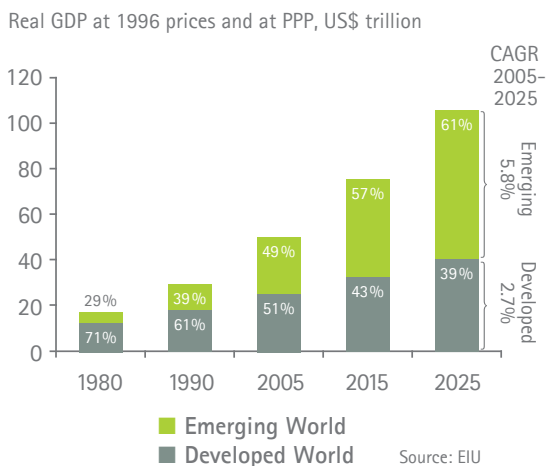


High performance. Delivered.

The real impact of globalization on retail supply chains

There's a rising buzz in business journals around the topic of today's deepening phase of business globalization, driven by emerging markets – something we at Accenture call the multi-polar world. (Figure 1)

Share of global GDP



Accenture's multi-polar world encompasses five key dimensions of increased economic inter-dependence. **The flow of capital:** A shift of power and wealth from the West. **The battle for resources:** Interdependence of economies creating a shift in supply and demand of resources, and the growing need for sustainability. **War for talent:** A fierce competition to obtain and retail skilled resources. **Emerging consumers:** Creating new demand for new and old products in rapidly

growing economies. **The new map of innovation:** Diversification of innovation in technology and services. This point-of-view is the first in a series. This, part one, attempts to encapsulate the most critical challenges for achieving high performance

World's biggest economies

Real GDP at 2005 prices and PPP

Source: EIU

	1990	2007	2025
1	US	US	China
2	Japan	China	US
3	China	India	India
4	Russia	Japan	Japan
5	Germany	Germany	Germany
6	India	UK	Russia
7	France	France	UK
8	UK	Russia	Brazil
9	Italy	Brazil	France
10	Brazil	Italy	South Korea

retail supply chains in an era of globalization and will be followed by a piece on practical strategies for addressing these challenges.

Relevance of the multi polar world to retail supply chains

The effects of globalization are inescapable, even for retailers targeting only local or national consumers. Why? Because supply chains need to be increasingly flexible to capture the opportunities

- Consulting • Technology • Outsourcing

in global sourcing, manufacturing, procurement and logistics. And new, cash-rich, emerging market competitors are entering the turf of established players.

There are three major challenges for retail supply chains brought about by the multi-polar world. Those are complexity, stretch and adaptation. Let's address complexity first. Again, regardless of whether a retailer is setting up shop in disparate global locations, increasingly interdependent economies magnify complexity. Even if global operations are limited to "just purchasing"—operating in sprawling geographies brings with it a raft of issues. Among them: unique national cultures, different languages, extremes of economic development, regulatory diversity, and new and likely hard-to-decipher customers.

The next challenge involves stretching the supply chain. Retailers need to expand the reach of their supply chains to leverage gains from low-cost country sourcing, and they need to extend the functional capabilities. By that we mean evolve from "maker" to "mover" to "integrator." Integrator entails gaining capabilities in network optimization, channel control, and customer care. The greatest challenge for retailers? They'll need to stretch both dimensions of geo-

graphical presence and functional reach simultaneously to meet the demands of the multi-polar world. (Figure 2)

With complexity and stretch comes a companion challenge: the need for adaptation. Everything is changing at speed – consumer tastes, prices, technologies, workforce skills, services, input costs, infrastructure, and regulations. Adaptation will also be critical for responding to new non-traditional, but cash-rich, competitors that will not only introduce new competitive threats (and opportunities) but will likely change competitive rules; raising the bar on products and services.

Addressing the multi-polar world

At times, the challenges of the multi-polar world seem to outweigh the opportunities. Complexity, the need to stretch capabilities, and adaptation issues are daunting. But retailers—regardless of whether they're global or local operators—that can overcome these hurdles will be those that outperform competitors and achieve high performance. Our next piece will address how to integrate internal and external parties around a global operations culture, establish pipeline visibility to manage the flow of goods and information, and optimize demand/supply planning and the physical supply chain network.

To find out more, contact:

Toby Paxton

toby.paxton@accenture.com
+44 207 844 3242

Nav Nair

nav.nair@accenture.com
+44 776 777 5300

About Accenture

Accenture is a global management consulting, technology services and outsourcing company. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. With more than 180,000 people in 49 countries, the company generated net revenues of US\$19.70 billion for the fiscal year ended Aug. 31, 2007. Its home page is www.accenture.com.

Copyright © 2007 Accenture
All rights reserved.

Accenture, its logo, and High Performance Delivered are trademarks of Accenture.

