
SEPTEMBER 2018 NEWSLETTER

RGM NEWSLETTER
RITA GUNTHER | MCGRATH

How Digital is Changing the Business of Getting Stuff from A to B

Dear Colleagues,

There are trillions up for grabs in the business of delivering things right to you, no matter where you are. A sector reeling from the cumulative effects of digitization is the global logistics business. In what our colleague, Michael Sikorsky, calls "[the second half of the chessboard](#)," we can anticipate some significant inflection points in the business of logistics, involving innovative digitally-enhanced business models, the instrumentation of basically everything and the impact of the experience economy on product-centric business models.

The Last Mile problem hasn't gone away

The "Last Mile" refers to the most expensive part of any supply chain – actually getting the end product or service into the possession of an end customer. That (among other things) is what killed WebVan and a whole lot of other dot.com startups in the [first big Internet wave](#).

Even logistics darling [Rent the Runway](#) has found the last mile to be a flummoxing dilemma. As one of their representatives observed, "The customer is at the center of everything we do at Rent the Runway. We can control almost everything we do, but we don't own the last mile yet." When the customer doesn't do her part, as in returning the garments specifically the way the company requires, the flow of their business breaks down, and the next person in line for the dress can be disappointed. As a result, the company instituted draconian late fees and other charges to enforce cooperation. That, in turn, resulted in a major backlash on social media and in the [Daily Beast](#), eventually causing the company to change its policies after – presumably former – customers derided its "predatory" practices.

The latest wrinkle in the last mile problem involves having to create a flow of activity along multiple channels, such as from the distribution center to the customer (and back); warehouse to customer (and back), supplier to customer (and back) and so on. Increasingly, logistics providers are expected to take all this on. The bottom line? The last mile problem that used to be on the customer is now on the logistics provider. That, in turn, means they are picking up activities that customers used to do for free (selecting items, paying for them, and bringing them home). Unless you have some kind of super-efficiency magic going on, it is going to hurt. That cost has to come from somewhere.

Perils of the Porch Pirates

As more and more money is being made by delivering packages directly to consumers, more and more of those packages are being stolen. So-called “[porch pirates](#)” get a lot of attention around the holidays, but the problem is a real one, and it's on the rise. Some 31% of people recently surveyed experienced such theft.

Traditional solutions, such as requiring a signature from customers who are unlikely to be home, are expensive and a logistical nightmare. And yet, there are few easy answers when a package is delivered to an unattended address. [Some retailers](#) are experimenting with ways in which a delivery could be made within your home or [car](#), using IoT technology to provide the delivery person with access. What could possibly go wrong? Yes, you do detect sarcasm here.

Perhaps another Amazon innovation, offering a new service specifically for apartment dwellers would make people a little less uneasy. It's the Amazon Hub - a secure metal container placed in, say, the lobby of an apartment building. When a delivery is made, the purchaser receives a code from the delivery person. When the purchaser is ready, they enter the code, a door opens, and voila, they can retrieve their package. Unlike Amazon's Locker service, [the Hub](#) is supposed to allow people to accept packages from any vendor. This, in turn, opens up a whole new dimension of access for Amazon.

More on the Amazon Effect – changing customer expectations for how they would like to be served

As one observer notes, “[Because of Amazon](#), consumers not only demand, but now expect, their online shopping experience to feature all of these things at once:

1. Competitive pricing
2. Highly available inventory
3. Lightning-fast fulfillment (and the ability to change an order)
4. Real-time tracking information
5. Mobile support
6. An easy return process”

I have long used Amazon as an example of a company that clearly sees a customer's entire [consumption chain](#). Briefly, the idea is that in their quest to get “[jobs to be done](#)” accomplished customers go through a whole chain of experiences. It starts with becoming aware that you might need something, moves to searching for a solution, making a choice, arranging payment, receiving the goods or experiencing the service, making returns, and so on. What you'll see, if you do business with Amazon at all, is that they have focused on removing frictions at every step along the way.

What Amazon's logistics prowess has accomplished is that customers now simply take for granted that what they order is what they will receive, that it will be delivered intact in a timely manner and that the price they paid is going to be a good one. For less astute and customer focused companies, living up to this expectation is a formidable challenge.

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BASED ON THE PRINCIPLES IN DISCOVERY DRIVEN GROWTH



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UPCOMING EVENTS

September 25-28, 2018 [AT&T Business Summit, The Future Transformed](#) (Dallas, TX)
The competitive game is changing — digital transformation is now taking place firmly at the edge. At this year's invitation-only AT&T Business Summit, presenters will uncover ways to successfully deliver intelligence from every corner of your business. From endpoints and applications to SDN innovation, infrastructure and architecture to 5G and beyond — all with a focus on cybersecurity.

October 5, 2018 [Tsinghua University](#) (New York City) Tsinghua University is one of the most renowned and prestigious higher education institutions in China. The delegation, led by the MIC Business School, consists of 24 business leaders and executives from various business sectors such as biomedical sciences, big data, automobile, retail, human resource and real estate. The meeting will center on business strategy. The meeting is part of an annual exchange program organized by the MIC Business School, a research consortium that focuses on leading practices on business strategy, marketing and innovation.

October 17, 2018 [Council for Responsible Nutrition](#) (Dana Point, CA) The Conference: CRN's Annual Symposium for the Dietary Supplement Industry

October 22, 2018 [Fujitsu's invite-only Executive Forum](#) (Tokyo) will be held to discuss digital business strategy with top-class Japanese corporate leaders. The fourth industrial revolution is disrupting a broad range of industries. In this fast-changing world, what strategy options can business leaders take? The forum centers on how enterprises should respond to emerging disruptive innovation.

October 25, 2018 [Brightline Initiative](#) (New York City) An exclusive invite-only conference for strategy executives and thought leaders from world-class organizations to exchange insights, share experiences and build networks.

November 7-8, 2018 [HR Norge, HR Forum](#) (Oslo, Norway) National Meeting Place for HR and Managers, the theme of this year's HR Forum is the human factor. After a period of strong influence on digitization, the commute returns to the HR in HR. Responsibility, ethics and relationships are among the things that cannot be digitized.

November 29-30, 2018 [Drucker Forum](#) (Vienna, Austria)
I'm looking forward to participating in the 10th Annual Global Peter Drucker Forum
This year's theme is management. the human dimension.
Check out the [closing keynote](#) address given at the 2017 Global Peter Drucker Forum by Charles Handy, Social Philosopher Discussing the Role of Business in Society
"We must be careful that our humanity is not swamped by the digital revolution"

IN THE PRESS

[Innovation Training Needs A Rethink](#)- BusinessWorld
[The Business Burden of a Better Economy](#)- Talent Economy

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Rita



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