

Episode127: Back-To-School and Lessons Learned with Manish Kapoor

Manish: [00:00:00] Supply chain is rapidly shifting from a supportive function to a competitive differentiation. And what I mean by that, in the past supply chain was a supportive department and then handling procurement and so on, that's not the case anymore. So big shift as far as the importance of supply chain is concerned.

Our advice to businesses would be to think about three big things, which is do you have a dynamic supply chain design that you are able to adapt to the changes that are happening rapidly? The second one is, are you using the data and the automation as much as possible to drive your business? And third one is make sure you stay ahead on the Agentic AI and AI in general, applications to your business, if you fall behind on that, the change there is so rapid. It's really important to have a plan in place for that.

Richard: I am Richard Howell, and this is The Future of Supply Chain, a podcast where we discuss hot topics, best practices, and the latest innovations in [00:01:00] today's global business. And today we'll be discussing the lessons learned from this year's back to school supply chain challenges, and our businesses can turn these insights into strategies for other upcoming holiday seasons, and specifically the Christmas season coming up. To do so I'm joined by Manish Kapoor, the founder and CEO of Growth Catalyst Group. Hi Manishh. Welcome to the podcast. If you could quickly introduce yourself and your company to the audience .

Manish: Yeah, Richard good to be here. Thanks for the opportunity to share my thoughts. GCG Growth Catalyst Group it defines our mission as well, which is to enable growth for our customers using supply chain innovation. So the best way to summarize what GCG is, it's the place to go when you're looking for supply chain innovation, digital, physical, data analytics, command center, all the components that have to come together to [00:02:00] run supply chains effectively, but more importantly, be able to adapt to changing conditions. That's what really describes GCG.

Richard: Let's talk about those changing supply chain conditions. We've just gone through the back to school season. What were the biggest economic and

operational trends that you saw shaping? In particular, and how does this compare to previous use?

Manish: I think you and I can agree unprecedented times with all the changes going on. Talk about the economy, the number of war, the geopolitical impacts. You might say, what is that to do with supply chain? Well, it has a direct impact as we've all experienced this time. Especially recently, the discussions as we speak about tariffs I don't know if you do it, but every hour I'm watching the news saying, okay, what's next?

Richard: First thing in the morning is what's changed today on the morning news.

Manish: Right? And so the pace of that change that you're mentioning is unbelievable, which hasn't happened before. [00:03:00] Changes do happen but rapid pace and the back and forth and the uncertainty that's having a direct impact. And so case in point, when we discuss about back to school, obviously most businesses are trying to predict what are the consumers gonna buy, how much are they gonna buy, how much are they willing to span?

All those equations starts to get impacted the math behind all the forecasting when the tariffs come in the economy. Starts to shift the interest rates are still high. So it directly impacts the sentiments of the consumers. Of course, in this case, it's businesses also reacting rapidly to the tariffs.

So we all heard there were many companies that actually went ahead and purchased in advance to avoid status. It might work, but it sometimes it backfires because you're investing capital in things that you're not sure whether you'll be able to sell the whole thing or not because the sentiments are changing as well or if you don't buy [00:04:00] enough, you may not have enough inventory to fulfill the orders. So you're stuck in this place where either you're gonna lose cash or you're gonna lose revenue because you don't have inventory. It's a difficult situation overall for businesses to keep up with this.

Richard: What advice do you give companies in this situation? Hindsight is wonderful but what could they have done differently and what did the best positioned companies do, have in place to address these challenges and any other disruptions that we're seeing in the marketplace?

Manish: Yeah. Great question. And I think the advice we give, if I had to summarize in one phrase, is look inside to fight outside. What that means is we

are super worried about things that are not in our control, right? We're watching what the next news is gonna be. We don't control

Richard: Exactly.

Manish: but what we do control is our supply chain nimble enough to address that?

How accurate is our forecast for demand? [00:05:00] When you talk about what's called s and OP or sales and operating planning. Essentially you are forecasting what your demand is gonna be, but in many cases you have to buy inventory months in advance, right? So are you spending enough time to make sure what's the accuracy of a forecast?

And every month is that accuracy getting better and better? But so our advice has been to look inside saying, Hey, what can you do to improve your financial health as a business overall? Forget the tariffs and the external factors, the stronger you are financially, internally. The better you are in terms of fighting externally. It's like taking vitamins and making sure you're staying healthy to fight the flu in this case, versus having medicines after you get sick. So this is like focused on prevention versus cure in those scenarios? Yeah.

Richard: Do you see companies looking to increase agility and resiliency of their processes to be able to adjust and respond quicker?

Manish: Yeah. What we've seen in the last few months are companies [00:06:00] questioning not just the supply chains, but also the two endpoints, which is should we move sourcing to a different region, different country? Right. It's interesting how last many months people were saying, Hey should we get outta China and look at other countries, including India. But guess what last two weeks, the tariffs are tougher. So there's no good answer.

Richard: I think the tariffs are actually following where the manufacturing is moving too.

Manish: Right? And then the same companies are also saying, Hey we are too dependent on the US market. Should we diversify and start to look at Canada and other markets to sell into? All that also requires the thing in the middle, which is a supply chain. So yes, the companies are actively now looking to say, how do we get more flexibility into the supply chain so you are able to adapt faster? Especially companies that have warehousing and physical networks that have been established, those are multimillion dollar investments that take years

to get the [00:07:00] ROI on. You can't just quickly change. So those are some of the challenges that the businesses are facing. But yeah, I think the need of the hour is to move towards more nimble, adaptable supply chains to keep up with the changes.

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Richard: I also think that the consumer behavior is changed because of things like the tariffs. 'cause they were also buying earlier with the threat of them having to pay more if they left it too late. So you saw earlier shopping increased price sensitivity. And also consumers have digital tools now. They have visibility, they have access to the internet. They know much about as much about your products as you do as a manufacturer, quite often.

Manish: Yeah, I think just over the last few couple of decades, the shift towards online has put the consumers in control because before that it was what's called push supply chain, where businesses decided what inventory to push [00:08:00] down to a store. And that was the choice they had. The consumers just had to just pick from what was available in the store.

Richard: Yeah.

Manish: Super different. Now, obviously a click of a button, they have access to multiple websites, different companies, different brands. The consumer is in control and interesting part is when the consumers hit that button by the entire supply chain has to adapt to what they just decided. 'cause they picked what they wanna buy, who they wanna buy it from, how fast they want to deliver, how much they wanna pay for it. Consumer is in control. Having said that, I think the inflation right now in the interest rates, the uncertainty in the economy, that's really changing the behavior of the consumer in, I'd say three ways. One in the recent months, consumers are buying based on value than other preferences. So what I mean by that is, you might be looking at different brands and so on. Now they're conscious saying, okay, what am I getting in [00:09:00] return? Is it worth it or not? The second shift that we are seeing is that consumers are thinking harder, saying, Hey, do I even need something? So shifting more towards necessity, which is human behavior when you're worried or you put the uncertainty, you tend to be conservative in that case. Third one is I think the consumers are really becoming smart about how they're going about buying and leading to, in some cases leaning on thrift stores as well, right? Depending on what's necessary, what's not necessary. And those changes are happening so quickly that it's really hard to quantify those and put it in your forecast for demand and then adapt to supply chain to it. , The pace of change is

so fast in the consumer behavior that it's super hard for the supply chains to adapt to it.

Richard: Yeah, exactly. So what have we learned? How can companies better anticipate and adapt to these and other disruptions in the upcoming holiday seasons?[00:10:00]

Manish: Yeah. I think first thing but obviously we just talked about is, hey, are you in tune with what the consumer is doing or asking for. So that's number one. And then are you able to work backwards from the consumer's expectations and so on? And then based on those inputs, you cannot forecast a year in advance.

You can't even forecast a quota in advance, right? You have to be, your SNOB or four demand forecasting process has to be so dynamic that you're actually able to adapt what you're seeing in the news . So that's one. The other thing that I mentioned earlier is making sure that your internal financials are solid. When I say financials do you have a continuous improvement program within the company? Are you using Lean Six Sigma best practices? And this is for any department, could be your SGNA, that needs to be looked at again. So companies are looking inside to say, okay, I have teams, [00:11:00] are they effective? Are they coordinating well with each other so that you get the best results externally? And then the last piece again, is the supply chain design. You may, most companies are having to rethink their physical network, where are the buildings and then also the digital side of it, where all can they put automation? Where can AI be applied? Where in the past decisions were made manually. Can automation bring in and help in those places as well?

Richard: It often comes back to re regardless of what the problem is. And we hear this a lot on this podcast, whether it's, how do I improve resiliency? How do I become more sustainable or improve my sustainability? It often comes back to how do I improve my visibility and do I have anything in, even if I get visibility, can I then respond in time?

So looking ahead we've got an unimaginable amount of data, more data than ever before, and it's only increasing. We're getting real time consumer insights, [00:12:00] whether that's from the actual orders or sentiment analysis . How do we leverage that data and those insights to create more responsive and customer focused supply chains? Moving forward in general but for the holiday season in particular.

Manish: Yeah I think the fundamental shift that's happening is what I call reporting after the fact to live dashboarding. So the impact of data, if it's live, even not just live, but even futuristic, where you're actually predicting what's gonna happen and prescribing the actions that should be taken using data. That's where the future is headed to be able to automate those decision making as much as possible. So I think the data is here and now in how, what's going on, but then using that data to impact the future decisions you're gonna make as you move towards the future. That's where I the decisions based on data is gonna be super critical. [00:13:00] That does applies to the supply chain as well. Basic example is you may be shipping something by ground, right? And you're now realizing, oh, there's gonna be a snowstorm or something. Before it's too late and now your deliveries are late and the consumers are impacted. Can you already predict and shift the ship method to something faster, knowing what the cost is gonna be for that, and having plans to address, manage that cost as well. That's just one example of many examples like that, where using the data to predict the future and being able to adapt your supply chain and live visibility that you have so that you are proactively getting ready for what's coming versus reactively trying to fix what broke, but it's too late by then.

Richard: I know you have a background and expertise in last mile delivery. With that in mind, how can companies better adapt and manage demand surges and [00:14:00] fluctuations during peak seasons? How can they better design their supply chains to be able to respond quicker?

Manish: Yeah, great question, Richard. So, yeah, you're right. Spent at least couple of last decades in Last Mile before it was known as last mile at FedEx, and then launching Amazon's home delivery as well. , Some of the basics that I've learned over the years is that last mile is the most complex mile and it's the most expensive mile. The fundamentals are if you are driving a large, 50 foot truck on a highway with 2000 packages, your cost per mile per package equation is better than when you are in a neighborhood driving a small truck that can only hold a hundred packages, so your cost goes up. And so it really makes a difference whether you optimized in your last mile or not, and the direct impact of the economics last mile is primarily two things. It's density and volume. So I get this question often because we are a [00:15:00] global company in economies like India, you are able to make 10 minute deliveries cost effectively. How's that even possible? But when you look at dense markets like Manhattan, the economics don't work in that case. So the reason there is those two things. One is the density and the volume that is required. So if you're sending a driver out on the last mile trip for an hour, how many deliveries are they making? And then how much is that one hour costing you? As simple as that. So when you look at Manhattan, it's let's say 50 US dollars per hour.

If you're making two deliveries, it's pretty expensive to do that. So having said all that, it's these basics that go into planning your last mile operations. And if you don't plan that well, you can lose money pretty quickly as far as the business is concerned. So it's a tricky balance and that's where I think the automation, the data analytics, the algorithms can help a lot [00:16:00] is finding the right balance on the service levels that you wanna offer to the consumers and the experience and the cost that it comes at, and being able to design those last mile solutions. I'll give you an example, if you have enough volume and density, you might wanna have your own route that's dedicated, just making your own deliveries.

In other cases, I give New York, Manhattan versus Dallas, the density is totally different. And if you suddenly drive route, they're gonna spend more time driving. Right? In that case, can you actually find partners that are already making routes in the region? And can you piggyback on it and add packages and stops to create a win-win in that scenario?

So when we advise companies to design Last Mile, we look at all these factors to say, Hey, how can you get the best financial design while delivering to the service experience that the consumers are expecting out of that.

Richard: Because the reality is in many industries, e-commerce has [00:17:00] increased exponentially in the last four or five years. I mean, you, can't place an order in 10 seconds and then expect three weeks for the delivery. People do want it the next day, or the next hour in some cases.

Manish: Right.

Richard: So it is a necessity in many industries to be able to solve that very problem.

Manish: Absolutely. And that's where as I shared the analytics in the technology and war, along with the right partners, helping you deliver that experience is gonna be critical. That applies to going back to school, and even store to home delivery which also is becoming an expectation, and it does make sense in many cases because you already have the in inventory in the store close to the consumer think of this as like a local delivery depot, and you effectively enable store to home delivery. Of course, crowdsourcing delivery during COVID took off in the US quite a bit and it's here to stay, but then there's places where you can apply that [00:18:00] effectively, and at other places it doesn't make sense. So just making sure that design is right in leveraging the store to home delivery services as well in that case.

Richard: Are you seeing a lot of hybrid models in retail, for example, where you might go to the store, try it on, and then place the order to get it delivered because they don't have all the sizes, colors, shapes and the like

Manish: Yeah, I think the term omnichannel is overused now, but it's still applicable which is a, whether I'm buying online or I want to go try it on at a store buy online pickup in store. Or I buy online, store to home delivery, just shows up. All those are expectations as far as consumers are concerned.

And the good news there is, this is not rocket science anymore, in a sense. It's been done. Businesses just have to get behind it and have a good plan to execute on all these various options.

Richard: We're coming to the end of the [00:19:00] podcast and I have one question I ask all guests, but I wanted to give you a chance before that, for where can people learn more if they want to learn about yourself or the Growth Catalyst group.

Manish: Yeah. Our websites are obviously online and I think best places to reach out to me on LinkedIn.

Richard: So I'm onto my final question. And it's the one that usually causes the most challenged for people, because I ask in a sentence or two, what's the future of supply chain?

Manish: Future of supply chain. Big question. I think if I had to summarize, supply chain is rapidly shifting from a supportive function to a competitive differentiation. And what I mean by that, in the past supply chain was a supportive department and then this pac, handling procurement and so on, that's not the case anymore. . They are actually driving the business strategy for success in competitive advantage in the market and so on. So big shift as far as the importance of supply [00:20:00] chain is concerned. It's come, gone from back to forward and again our advice to businesses would be to think about at least those three big things, which is do you have a dynamic supply chain design that you are able to adapt to the changes that are happening rapidly? The second one is, are you using the data and the automation as much as possible to drive your business? And third one is make sure you stay ahead on the Agentic AI and AI in general, applications to your business, if you fall behind on that, it's just the change there is so rapid. It's really important to have a plan in place for that.

Richard: Manish, that was great advice and a great conversation. Thanks very much. I really enjoyed talking to you.

Manish: I enjoyed it as well. Thank you, Richard.

Richard: Please mark us as a favorite. You can get regular updates and information about future episodes, but until next time from Manish and I for discussing the future of supply [00:21:00] chain.

To learn more about the future of supply chain, come join us in Las Vegas for the upcoming Supply Chain Connect event from October 6th to eighth. There you can experience live demos and real world case studies tailored for your industry and line of business, and you'll hear from applications, experts and customers on how the SAP Business Suite streamlines and connects every part of your supply chain to deliver real, measurable results for your organization. You can connect with SAP experts, partners and peers to share insights and strategies. We hope to see you in October in Las Vegas.