

The Supply Chain Of The Future

How disruptive technologies and megatrends
will shape distribution

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Introduction

It's no surprise that technological trends are profoundly impacting distribution organizations all around the globe. These life- and business-changing megatrends benefit distributors in many ways, enabling them to:

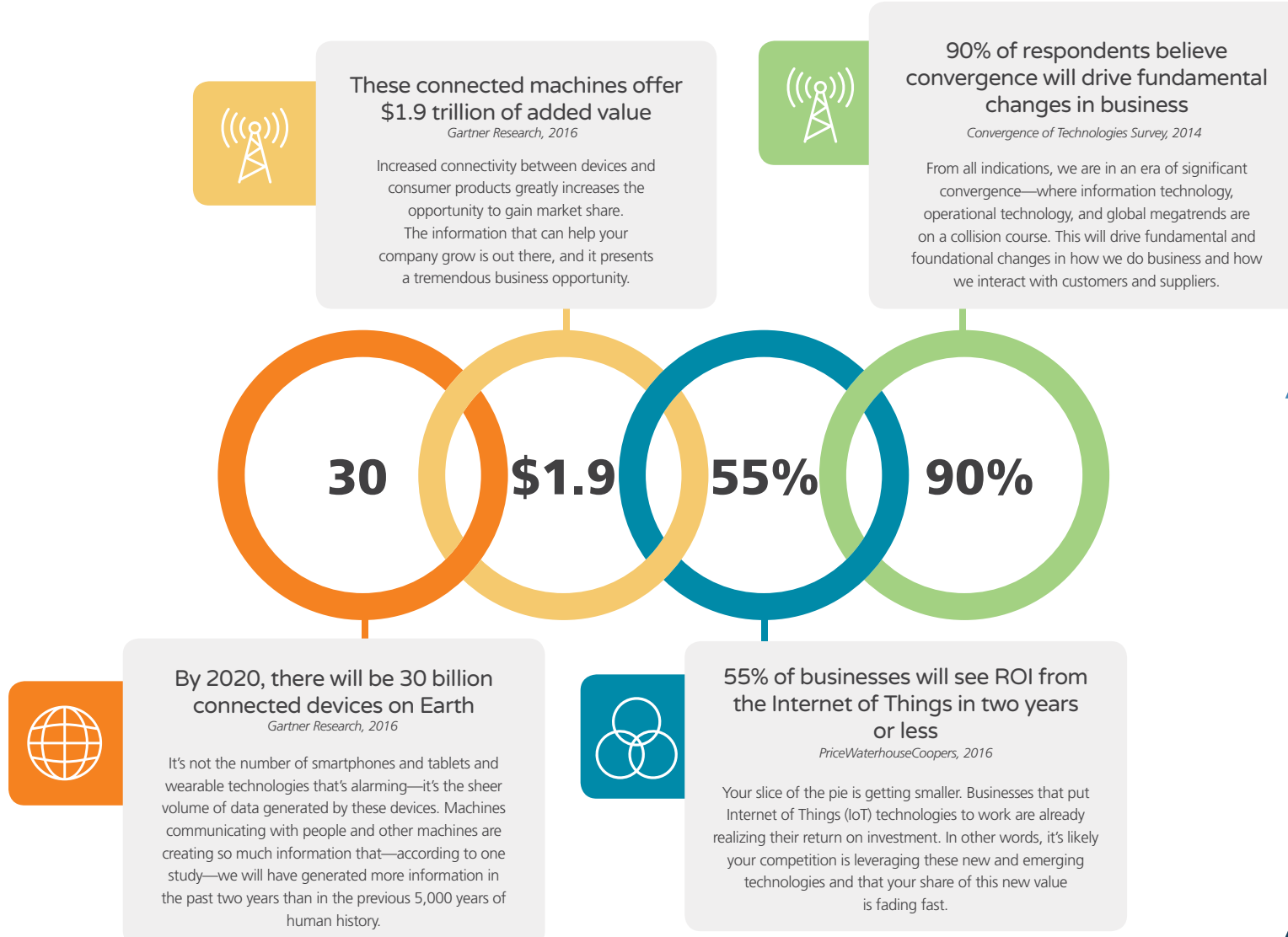
- ▶ Improve efficiency
- ▶ Reduce cost

By recognizing these trends and leveraging these technologies, you will be able to stay competitive and—most importantly—deliver greater value to your customers. But first, let's take a look at the numbers.



The Numbers

By 2020, there will be 30 billion connected devices on Earth



Supply Chain Megatrends

If you're surprised by these megatrends, you haven't been paying attention

Megatrends are global, sustained, and macroeconomic forces of development that impact business, cultures, and personal lives. By their very nature, these trends define our future and the increasing pace of change.

They aren't, however, anything new.

These supply chain megatrends have been on the horizon for years. As we face the next few years, they'll have an exponential impact on your operations.

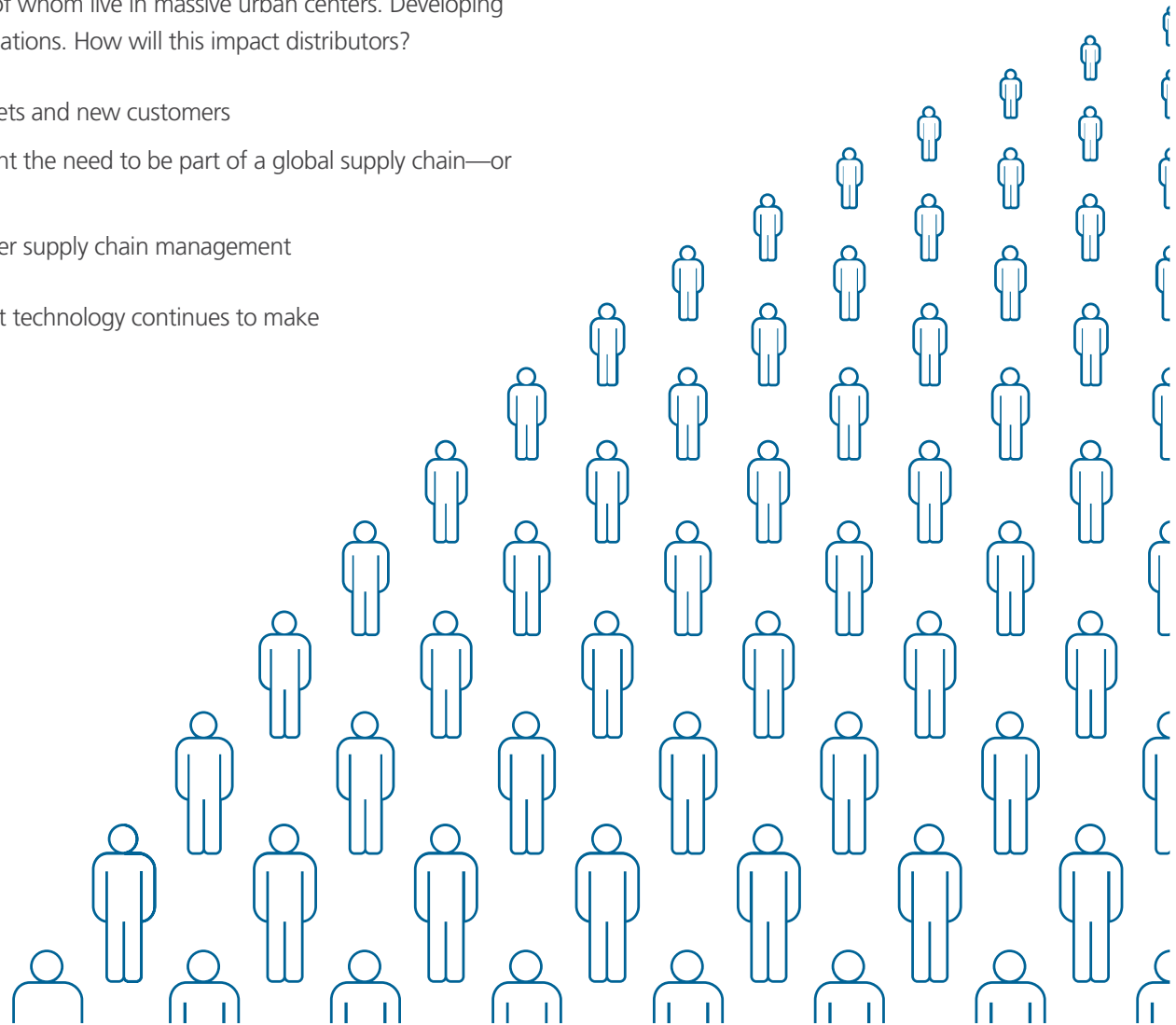


Megatrend #1—Demographic shifts

By the year 2030, there will be 8.4 billion people in the world—most of whom live in massive urban centers. Developing countries will be growing, while populations will shrink in developed nations. How will this impact distributors?

- ▶ A growing middle class will open new opportunities for new markets and new customers
- ▶ Consumer markets will shift from the West to the East and highlight the need to be part of a global supply chain—or at least have access to far-away markets
- ▶ More skilled workers will continue to retire while fewer people enter supply chain management

The world is getting larger and customers are getting farther away, but technology continues to make everyone easier to reach.



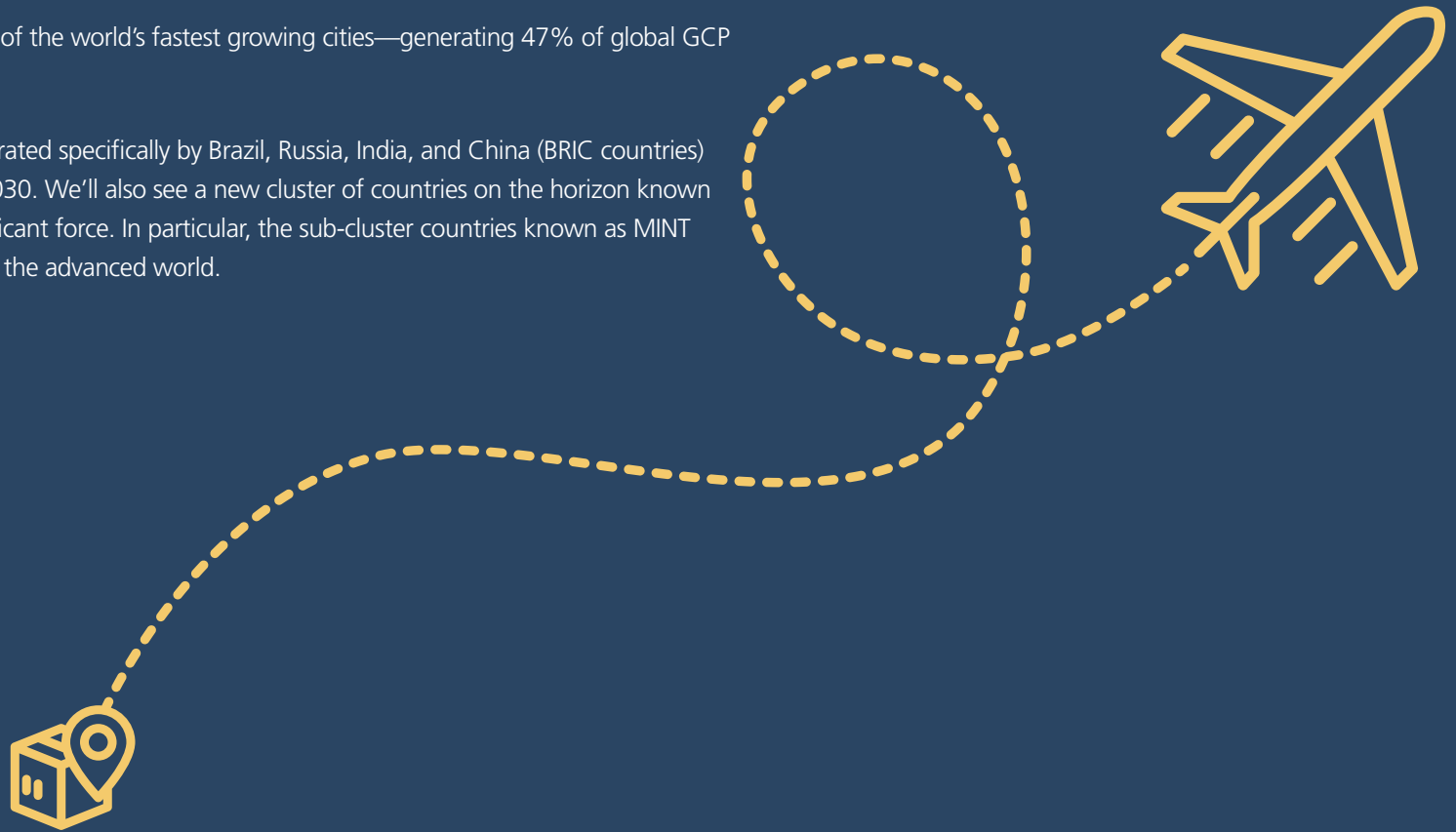
Megatrend #2—Globalization of future markets

As our population grows, companies will reach farther and farther around the globe—worldwide exports are expected to triple by 2030. More notably, exports from emerging and developing countries will quadruple, and regional and bilateral trade agreements are likely to open the world's borders even further.

Developing countries will account for an estimated 57% of global GDP by 2030.

Developing countries will be home to 440 of the world's fastest growing cities—generating 47% of global GCP through 2025.

As we dive deeper, the share of GDP generated specifically by Brazil, Russia, India, and China (BRIC countries) will grow from 27% in 2013 to 38% in 2030. We'll also see a new cluster of countries on the horizon known as the "Next 11" that will become a significant force. In particular, the sub-cluster countries known as MINT and MIST will start to outperform those of the advanced world.



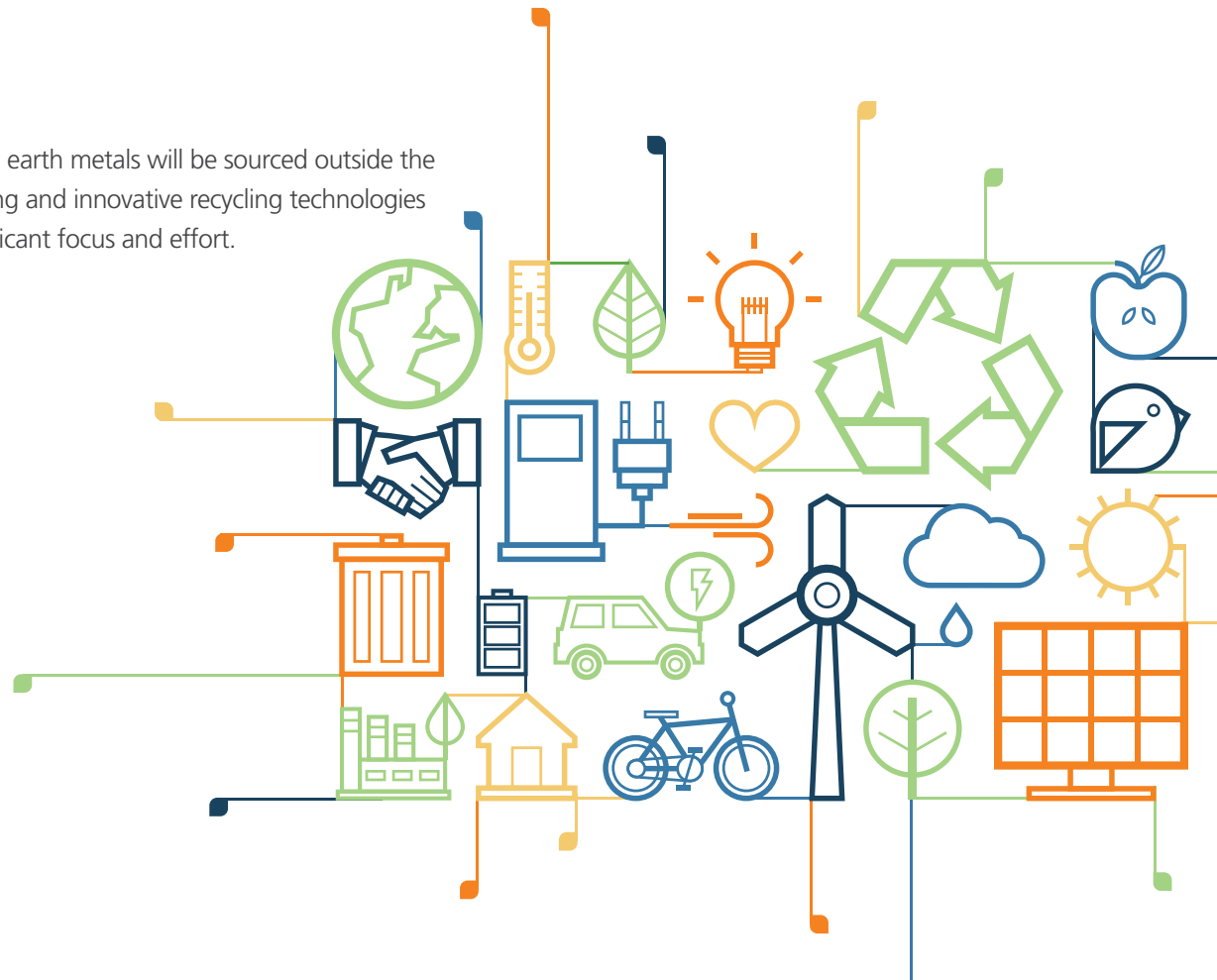
Megatrend #3—Scarce resources

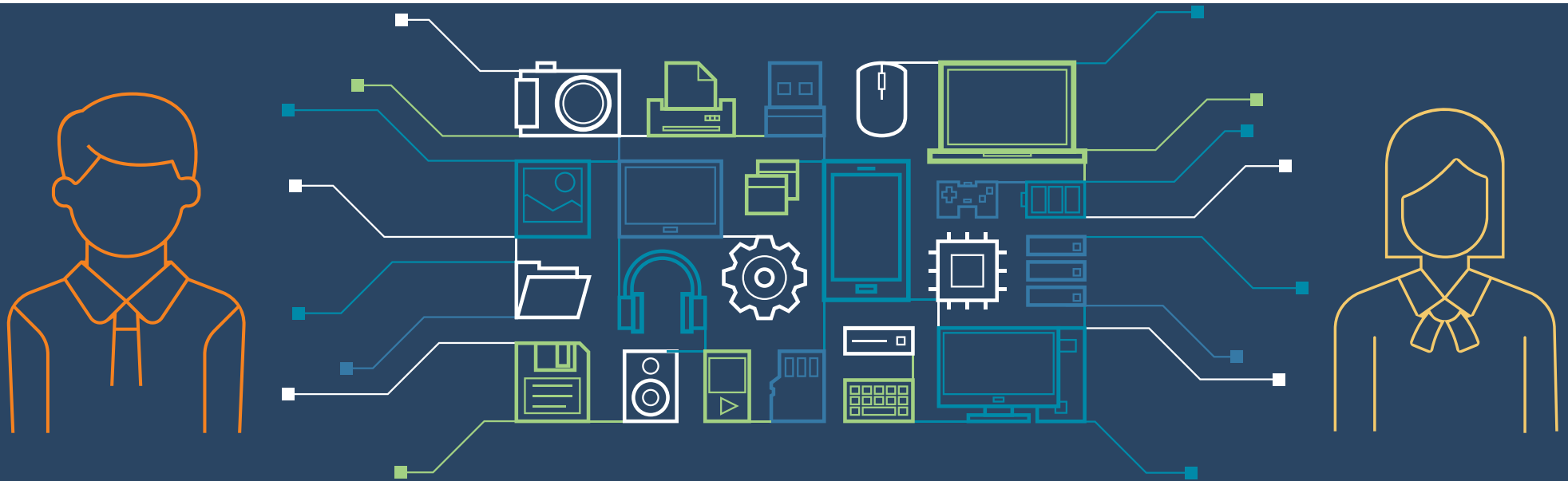
We're going to need more power.

The combination of an increasing population and GDP growth centered in developing countries will be the main drivers for a boost in energy consumption. We will continue to be a world characterized by scarce resources, and despite the focus on climate change and sustainability, the majority of worldwide energy demand will continue to be met by fossil fuels. This demand means 17 gigatons of oil-equivalent energy each year by 2030.

- ▶ The need for energy will increase 23% by 2030
- ▶ The majority of that energy will come from fossil fuels
- ▶ The majority of critical raw materials will be supplied by China

Additionally, the majority of raw materials critical for manufacturing and rare earth metals will be sourced outside the traditionally stable economies of the United States and Europe. More recycling and innovative recycling technologies could potentially decrease the dependence on China, but this will take significant focus and effort.





Megatrend #4—Knowledge and gender gap

As we become a more educated world with greater percentages of the population earning post-secondary degrees, manufacturers will still continue to see the challenges of a decreasing talent pool. Simply put, there won't be enough skilled people to perform the jobs of the future.

- ▶ Enrollment in formal education will continue to rise
- ▶ The talent shortage will continue, and it will hit developed nations particularly hard
- ▶ The gender gap is unlikely to be resolved

What's even more alarming is the fact that the available talent pool of workers will likely not come from our own backyard but from developing countries. Additionally, an ever-increasing mobile workforce will continue to present challenges to employers and may lead to a global struggle for talent. Lastly, the social and demographic issue of women and gender inequality in terms of education, participation in the workforce, and disposable income is likely to continue to be unresolved.

Distribution is changing

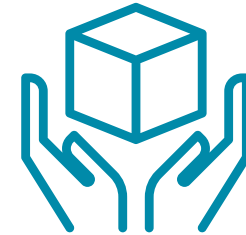
The global megatrends discussed here—when combined with new and converging technologies—will require distributors to transform themselves and even consider new business models. The overarching takeaway is this—distribution as we know it is changing radically.

We are quickly entering an era of a new type of customer—one who is global but isn't in the geographic areas where we've traditionally focused. This new customer is more mobile, more aware, and more demanding. She demands more products and more services that are highly personalized. She wants them delivered where and precisely when she desires.

In addition to the changing demographic of our consumers, new game-changing business models will cause continued disruption. Just take a look at what Uber has done to the taxi and transportation industry, Airbnb to the hotel and hospitality industry, and Amazon to the retail and distribution sector. The frantic pace of change in every industry forces a new norm and demands business owners to adopt new ways of thinking and execution.



Embracing change



If you want to take advantage of the challenges and opportunities that come with distribution in today's global economy, you will need to be:

- ▶ Customer-centric
- ▶ Vertically specialized
- ▶ Services-oriented
- ▶ Collaborative
- ▶ Efficient
- ▶ Distinctive
- ▶ Innovative
- ▶ Agile
- ▶ Automated
- ▶ Data-driven
- ▶ Cloud-enabled

This is what it takes to be a future-proof distributor. That's why technology and automation must be a critical focus.

The risk of waiting



There is a tremendous opportunity at hand for distributors. But it will only be realized by using emerging informational technologies like social, mobile, analytics, and cloud alongside operational technologies like sensors, machine-to-machine communication, and robotics.

The future—and your global competitors—won't wait for you. Tomorrow's distributor needs to be a leader when it comes to adopting technology. Those who want to run the supply chain of the future will need to shed the old mindset of waiting for a new technology to become the norm before embracing it.

Trusting technology



Future-proof distributors who have adopted key disruptive technologies will provide the foundation for a new type of factory and a new type of end-to-end operation.

The future-proof manufacturer will be able to provide highly personal, flexible products—where and when the buyer needs them—versus large quantities of homogeneous products.

They'll do this through strong, external, customer-focused, and interconnected networks and organizations where they are more predictive than reactive to customer requirements. This will allow them to focus on service after the sale and the related value opportunity that provides—rather than simply being viewed as a parts supplier by their customers.

Build a plan for success



Many distributors are struggling to fully understand recent changes and make sense of where to start. The sheer number of technologies that are changing and converging—combined with the pace of that change—is confusing and quite challenging. Therefore, the key to success in this highly disruptive and ever-changing world is to take a step back and answer a few fundamental questions:

- ▶ Where am I today?
- ▶ Where do I want to be in 3–5 years?
- ▶ How can I take advantage of innovation and automation?

Distributors then need to develop a strategic methodology and roadmap to the future. If you don't, you won't be able to take advantage of the opportunities that lie ahead. In some cases, missing these opportunities means your business may become irrelevant.

Key factors for success:

1. Understanding the over-arching strategy to transform into—and benefit from becoming—the distributor of the future
2. Leveraging cross-functional teams
3. Engaging trusted technology providers
4. Identifying and deploying high-return, low-risk capabilities
5. Constantly evaluating and adjusting

Epicor—Your Future-Proof Partner

With more than 45 years of knowledge and experience in business technologies, Epicor has become the trusted advisor to thousands of distributors like you. They use Epicor technology to be more agile, work smarter, and improve their operational efficiency.

Epicor understand distributors want to grow their businesses. Because of our commitment to the industries we serve, Epicor continues to be recognized by Gartner and other analysts—and more importantly, our customers—as:

- ▶ Understanding what's next
- ▶ Having a passion for distributors—helping them make sense of and take advantage of new norms and collaborative business models
- ▶ Following a cloud-first mentality that enables customers to not only transition to and from the cloud, but also fully leverage other emerging technologies

Get ready for what's next

Learn more about futureproofing, the supply chain of the future, and a host of other topics covered in white papers, testimonials, and other industry presentations on epicor.com. Talk to an Epicor representative to schedule a one-on-one presentation focused on your key challenges.



About Epicor

Epicor Software Corporation drives business growth. We provide flexible, industry-specific software designed to fit the precise needs of our manufacturing, distribution, retail, and service industry customers. More than 45 years of experience with our customers' unique business processes and operational requirements are built into every solution—in the cloud or on premises. With this deep understanding of your industry, Epicor solutions dramatically improve performance and profitability while easing complexity so you can focus on growth. For more information, [connect with Epicor](#) or visit www.epicor.com.

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