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# Mobilizing a Seamless Supply Chain: Implementing an Omnichannel Strategy for Cost-Efficient Mobility and Logistics

Digital Pilipinas

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## Introduction

Moving goods throughout the Philippines is a challenging task. Not only do logistics and supply chain industry players have to contend with the country's archipelagic geography, but it also has to work with inadequate infrastructure (particularly in rural areas), slow processing times, and low technological adoption. It is even estimated that logistics costs to sales are higher in the Philippines compared to other ASEAN countries by as much as 27%.<sup>1</sup>

There is a pressing need to improve the way goods are transported in the country. The growing e-commerce industry alone contributes to a huge demand to get things from warehouse to doorstep at a faster pace. During the height of the pandemic, for example, a surge in online sales pushed warehouses to maximum capacity.

Of course, snags in the supply chain eat into the profits of businesses. For example, supply chain disruptions are estimated to cost organizations around the world an average of 184 million U.S. dollars per year.<sup>2</sup>

Omnichannel logistics is one potential solution to tricky supply chains. Omnichannel logistics is a supply chain management strategy enabling seamless and integrated delivery of products to customers across multiple channels and touchpoints. These touchpoints include physical stores, warehouses, mobile apps, and more. Under omnichannel logistics, various systems, processes, and data are integrated together to ensure that orders can be fulfilled from any location, inventory levels are accurate across channels, and shipments can be tracked in real time.

Omnichannel logistics is particularly useful for digitizing processes in the international and domestic legs of the supply chain because of its emphasis on using digital tools such as supply chain management software and real-time tracking and monitoring systems. These tools allow for increased visibility and collaboration across all parts of the supply chain, including international and local legs, and help to optimize operations, reduce waste and errors, and improve the overall efficiency of the supply chain. Additionally, utilizing digital tools in the delivery stage can help to improve the accuracy, speed, and visibility of deliveries—an asset for last-mile delivery players in particular.

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<sup>1</sup> Piad, T. J. C. (2022, February 1). *Supply chain sector still faces tough year* | Tyrone Jasper C. Piad. BusinessMirror. Retrieved February 9, 2023, from <https://businessmirror.com.ph/2022/02/01/supply-chain-sector-still-faces-tough-year/>

<sup>2</sup> Placek, M. (2022, September 28). *Supply chain disruptions - cost by country 2021*. Statista. Retrieved February 9, 2023, from <https://www.statista.com/statistics/1259125/cost-supply-chain-disruption-country>



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It is essential for businesses in the Philippines to consider adopting an omnichannel approach in the face of increasing supply chain challenges. Though the transition will require patience and hard work, embracing an omnichannel approach may be what is needed to finally solve age-old pain points in the supply chain.

## Incorporating omnichannel strategies in international and domestic supply chains

According to logistics giant DHL, an omnichannel approach is made possible by a few key components.<sup>3</sup> An omnichannel approach must leverage technology, such as data analytics and automation, to improve decision-making across the supply chain. It should also offer flexible modes of fulfillment and inventory management to provide businesses with a real-time view of its inventory across different channels.

A centralized order management system is another key component of an omnichannel platform. This allows businesses to manage orders from multiple channels in one place and provides integration with multiple carriers to ensure the right carrier is selected for each order. The platform should also provide a seamless customer experience through various channels, such as a store website, social media, email, or phone. This enhances the overall customer experience and increases the likelihood of repeat purchases.

Omnichannel strategies are already making waves in the international leg of logistics, specifically with air freight. Airlines today are doubling down on investing in software tools that enable their own back-end systems to interface with customers' applications and multiparty platforms that sell air cargo capacity.<sup>4</sup> Air freight booking and marketing platform Cargo.one is already being used by dozens of global carriers. Cargo.one's platform leverages software to offer dynamic pricing options based on specific requirements such as weight, routing, and product type. Omnichannel solutions such as these are becoming increasingly popular: a recent survey of airlines showed that the share of bookings via digital channels is anticipated to jump to 60% by 2025.<sup>5</sup>

The domestic leg of logistics also stands to benefit from omnichannel strategies. Factories today, for example, can use warehouse management systems to monitor progress

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<sup>3</sup> DHL. (2015). *Omnichannel Logistics Trend Report*. DHL. Retrieved February 9, 2023, from <https://www.dhl.com/content/dam/dhl/global/core/documents/pdf/glo-core-omni-channel-logistics-trend-report.pdf>

<sup>4</sup> Kulisch, E. (2022, December 21). *Cargo airlines increase omnichannel sales efforts*. FreightWaves. Retrieved February 10, 2023, from <https://www.freightwaves.com/news/cargo-airlines-increase-omnichannel-sales-efforts>

<sup>5</sup> De Luce, I. (2022, December 20). *60% of bookings to come from digital channels by 2025 | Air Cargo Next*. Air Cargo World. Retrieved February 10, 2023, from <https://aircargonext.com/misc/technology/60-of-bookings-to-come-from-digital-channels-by-2025/>



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along the production line and even adjust incoming production orders if necessary. The interconnectivity of these systems even allows factories to communicate with counterparts in real-time if raw materials or components are low in stock or delayed.

One possible example to follow is Seattle-based online marketplace Flexe which uses cloud-based software to connect organizations in need of flexible warehousing capacity with warehouse owners that have available space. This gives businesses the option to access warehouse space immediately without having to commit to a long-term lease.<sup>6</sup> The flexibility that Flexe provides allows business owners to cut down costs while preventing any delays along their supply chain.

There are also examples showing how omnichannel logistics improve last-mile deliveries. Global packaging and supply chain management giant UPS has its My Choice service. UPS' My Choice integrates chatbots into its management system to give customers accurate information on their incoming packages and deliveries.<sup>7</sup> My Choice also gives real-time updates on the location of their package and its estimated delivery time. The service is accessible through a website or mobile app and allows customers to manage deliveries in a way that fits their schedule and lifestyle.

What is important for last-mile delivery players is to leverage omnichannel to improve their flexibility and give more options to their customers. This includes offering multiple fulfillment options such as in-store pickup, door-to-door delivery, and dropshipping to meet the unique needs of customers. This adherence to efficient and flexible delivery should be backed by both the use of tools like IoT-based asset-tracking systems and centralized order management systems to track items in real-time. This should result in an improved customer experience leading to repeat transactions.

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<sup>6</sup> (n.d.). PR News Wire. Retrieved February 9, 2023, from <https://www.prnewswire.com/news-releases/on-demand-warehousing-start-up-announces-north-american-expansion-150000-pallet-positions-now-available-in-85-/>

<sup>7</sup> Marr, B. (2018, June 15). *The Brilliant Ways UPS Uses Artificial Intelligence, Machine Learning And Big Data*. Forbes. Retrieved February 10, 2023, from <https://www.forbes.com/sites/bernardmarr/2018/06/15/the-brilliant-ways-ups-uses-artificial-intelligence-machine-learning-and-big-data/?sh=35f8d1e75e6d>



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## Omnichannel and ESG

Omnichannel logistics not only streamline supply chains, but it can also make them more climate-friendly.

The tracking capabilities enabled by omnichannel logistics can also track carbon emissions generated from various activities in the supply chain, such as transportation and warehousing. This information can be used to effectively manage a company's carbon footprint. The calculated carbon footprint of the supply chain can also be offset by using carbon credits. Each carbon credit represents 1 ton of carbon dioxide removed from the atmosphere. They can be purchased to make up for carbon dioxide emissions that come from activities like production or travel.

An omnichannel logistics approach can play a crucial role in enabling carbon crediting for supply chains by providing the data and visibility needed to track emissions and make data-driven decisions that reduce the carbon footprint of the supply chain. For example, route optimization software can help businesses plan better routes and use less gas. Predictive analytics tools can also be used to predict demand and improve inventory management strategies, cutting down on unnecessary shipments and thus lowering emissions.

## Working with key stakeholders

Turning an omnichannel logistics platform into reality will require the cooperation of several key stakeholders. For example, retail groups and the Philippine Retailers Association can collaborate to share supply chain data to create a proof of concept for the omnichannel platform. The best-case scenario is that an omnichannel platform will be created with the help of a large retail group especially considering that it is the retailers who will be most impacted.

There should also be Memorandums of Agreement and Guidelines drafted in cooperation with regulators such as the Department of Information and Communications Technology in order to facilitate and incentivize the use of the omnichannel platform by retailers, whether across different geographic areas, transportation channels, or modes of service delivery.

There should also be a review of indicative and prescribed fees with the goal of preventing exorbitant fees and encouraging retailers and end users to repeatedly use the service. Finally, for any new laws and regulations relating to omnichannel platforms, an updated and accessible website should be set up to help stakeholders be informed of current rules and requirements which can influence their operations and business development accordingly. This



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platform should provide players with a consolidated reference on applicable regulation and assist them on efficient compliance and cooperation through a government-approved system.

## Conclusion

Ultimately the question that should be asked is how to create an omnichannel solution that improves all stages of the supply chain.

This solution can start with educating retailers on the benefits of shifting to omnichannel, which should spur them toward seamless integration of everything from inventory management to order fulfillment. It is important to look at how access to real-time information and data improves decisions from international logistics down to last-mile delivery. While the shift will not happen overnight, benefits such as lowered costs, efficient delivery, and increased customer satisfaction should make the effort worthwhile. After retailers, other players such as logistics companies should not be too far behind, making slow and inefficient supply chains can become a thing of the past.