

# COLUMN

By Michael Hu



## Supercharging Supply Chains With Uber Platforms

Uber-like platforms will soon provide on-demand fulfillment, warehouse, and logistics services everywhere. Are you ready?

**F**or companies feeling the pressure to meet rising customer expectations while keeping costs down, uberized supply chains could bring much-needed relief. Uberization, the business paradigm that disrupted the taxicab industry, is about to transform supply chains everywhere as companies increasingly rely on the supply chain capabilities and services of external platform-based ecosystems instead of building their own.

Both sides—the company in need of supply chain services and the one providing them—stand to benefit. In the consumer-packaged-goods (CPG) industry, companies that leverage AI platforms at scale can improve their demand forecasting accuracy by 20% to 30%, while reducing FTEs by 15% to 30%. Similarly, a digital logistics brokerage whose trucks are not filled to capacity can use an AI platform to identify companies looking to ship partial loads and get 10% to 20% more asset utilization.

### Three Types of Supply Chain Platforms

Over the next decade, three chief types of platforms are likely to become dominant. Each has a unique

source of value creation—as well as a unique set of challenges.

**Marketplace platforms** match supply with demand, providing companies with access to assets whenever they want it. Companies like Ware2Go and Flexe offer on-demand warehousing, which allows a company to rent warehouse space during its busy season or launch rapid, same-day delivery pilots near large urban centers.

To scale marketplace platforms successfully, make sure that it's easy for customers to take part and that the transaction costs are low. When working with a leading parcel delivery company to design an on-demand warehousing platform, we found ways to integrate customer order management systems and make the customer experience seamless. We also enabled cloud-based reservations and payment processing to reduce participation friction.

**Capability platforms** provide flexible, pay-as-you-go access to a strategic capability. They're useful for companies that would rather access learning externally than develop it internally.

Capability platforms often require large-scale and

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continuous learning and training data. The more data the platform company collects, the better its machine-learning algorithms get at providing the know-how its customers are looking for. Blue Yonder, for example, offers AI-powered plug-and-play capabilities like demand planning and forecasting.

The key challenge for companies that wish to build large-scale capability learning platforms is getting customers to share often proprietary data in a way that protects their confidentiality while allowing other firms to benefit from it.

**Asset grid platforms** provide flexible access to assets or infrastructure. These platforms are especially useful for companies lacking the funds or time needed to build such infrastructure themselves.

A leading CPG wholesaler client built a shared-asset platform for store deliveries. Customers that normally shipped product to their own warehouse instead shipped directly to the wholesaler's warehouse, which then shipped the product to its stores. When rolling out the platform, the company had to balance the need to subsidize early adopters, which were essential for gaining momentum, with

the need to turn a profit.

Another type of asset grid platform is likely to emerge—one based on 3D printing. It's only a matter of time before on-demand print farms are doing 3D printing of parts and accessories. Logistics companies like FedEx could use these printers to print and deliver on demand.

To build and such a platform one successfully, the platform owner must have deep pockets and invest in infrastructure upfront. Moreover, the company must be seen as an objective third-party orchestrator.

Fulfillment by Amazon, a service that provides warehouse fulfillment and last-mile delivery, is perhaps the most successful example of an asset grid platform to date.

## Preparing for Uberized Supply Chains

To anticipate, participate in, and even shape the supply chain platforms of the future, start getting ahead of the curve today. A company that excels at a particular function can even contemplate becoming a platform provider.

But moving to a platform-based model isn't easy. It requires companies to develop a whole new set of compe-

tencies. We recommend that you:

- Understand trigger points. Determine the parameters for using a platform service instead of a traditional service. Platforms may not be your default, but for scenarios such as holiday seasons, they may be preferable to cloud-based warehousing. They may also be preferable if your per unit cost goes below a certain amount or if your e-commerce volume reaches a certain point.
- Monitor emerging platform players. Keep a pulse check on the evolution of various platforms across the supply chain so you can leverage them if and when the time comes.
- Start piloting platform capabilities relevant to your business. That's the only way to know if it will be a good business concept and whether you should scale it.

There's little doubt that uberization will have a substantial impact on your supply chain in the years ahead. Even if you're not cut out to be a platform owner, don't stand still. As the need for agile and resilient supply chains grows, harnessing the power of platforms will be key to success. ■