

# HOW TO TAKE AN ALL BUSINESS APPROACH TO OMNICHANNEL

## **Will Heywood (00:09):**

Welcome to “All Business. No Boundaries.”, a collection of supply chain stories by DHL Supply Chain, the North American leader in contract logistics. I’m your host, Will Heywood. This is a place for in-depth discussions on the supply chain challenges keeping you up at night. We’re breaking beyond the boundaries that are limiting your supply chain. In this special episode, we will be listening in on a conversation between Brian Miller, Senior Director of Customer Solution Development at DHL Supply Chain, and Alejandro Del Toro, Vice President of Distribution, Customization, Logistics, and Customers at Savant Lighting, as they explore the complexities of an omnichannel supply chain and how having the right 3PL partner can help. Let’s dive in.

## **Brian Miller (00:54):**

Hello, my name is Brian Miller and I work on the customer development team for DHL Supply Chain. I’m here today with Alejandro Del Toro, General Manager of GE Lighting, a Savant company, to discuss the use of multi NAMI channel fulfillment as a way to increase competitive edge Alejandro, can you please introduce yourself and your additional scope of responsibility?

## **Alejandro Del Toro (01:15):**

Sure, definitely, Brian. Good morning, everyone. As Brian said, my name is Alejandro Del Toro. I’m the General Manager, Vice President for Logistics, Customs, and Distribution for GE lighting, a Savant company. And I’m very glad to be able to share this time with you guys.

## **Brian Miller (01:19):**

Alejandro, our industry is seeing substantial major changes in the way that customers serve the building and construction industries. I mean the pandemic is unprecedented in the challenges and opportunities that arise out of marketing and selling the products that we’re seeing from our customer base. You know, one of the major unanticipated phenomena is the rise of using our homes as our workspace and you and I are probably working out of one of those today. And I think what we’re finding is that even our own habits around making our homes more like an office work environment, increasing the use of reliability of technology and other things to help support our work lives and the hours that we work, is really a critical item these days. I think from just a list of products that I’m seeing with other customers, it would include HVAC, smart home technologies, outdoor furniture, irrigation, and lighting, home furnishings, WiFi infrastructure, and all the necessary items to work out of your home. It’s been an absolutely amazing increase in the sales for some of those commodities. I think what we are finding is that customers are aggressively expanding the way that they sell in some of their channels as well. And not only are the traditional retail models being used to sell through brick and mortar but also the expansion into showrooms and other areas direct to consumer certainly is opening up where those were traditional retail models are also now we’re seeing in the building and construction industry as well. You know, one of the other things I’m also noticing, Alejandro, our inventories last year were severely depleted. Right stock, right place, high order demand. We were short on inventory. So it felt like peak season pretty much year-round last year. And what we’re seeing too is that our customer’s inventories are finally catching up to the demand in some areas and that’s positioning our customers like yourself to basically win every day in the new environment. Can you share a little bit about kind of what you’re seeing, maybe draw some parallels specific to your business there at GE Lighting?

**Alejandro Del Toro (03:31):**

Sure. You touched on a very critical situation that we've lived in for the past almost year with the pandemic. And I think to our businesses, it was a screwball in terms of how to determine what that demand is going to be. In reality, we have not created much history and we were just seeing that our volumes were spiking up week after week, month after month after the pandemic hit. And we didn't understand how to measure that. So it's been a challenge to really be able to project what those volumes were going to be. And within that, we needed to keep the service performance of some of the customers. And let's be real, some customers didn't know either. So they were ordering even beyond what the actual consumption would be. So it's been a challenge to keep moving along in 2020. And to be fair, you want in 2021, we don't know yet what that demand is going to be. At some point, you mentioned consumers are staying home much more. And because of that, they're probably using more of our products. So we're still in a mode of understanding and learning. Within that situation, we definitely have to work with partners like you guys in DHL, to understand and help us turn around products much quicker to the consumers. As you said, we're looking at the different opportunities to hit the consumers and the market, and having a good, solid presence in the omnichannel environment is critical for us so we don't miss any potential sales for our businesses. So definitely a challenging year and more to come in 2021.

**Brian Miller (04:54):**

Thank you for that. You know, one of the things, obviously, your company, furnishes lighting supplies and associated smart technologies to power your home, really for any type of residential commercial application. You know, a lot of office spaces, hotels or houses, things of that nature. Tell me a little bit about either you've had a traditional retail model to the brick and mortar type retail giants. Tell me where you're growing with the DIY space. People like ourselves. How are you creating the sales channels directly to a consumer these days?

**Alejandro Del Toro (05:24):**

Yeah, I mean, as we, as an industry, as everyone knows GE Lighting has been centered in building light bulbs. That's been our bread and butter for many, many years, but I think in the past five years, a little bit more than that, we've been in transformation mode because we believe that a light bulb, especially with the new technologies of LED, the duration of those products will be much longer. And then the reordering point is going to be much lower. So we've been in transition mode from the light bulb, which is mainly retail, into more smart home technologies, ecosystem technologies where you combine lighting in there, but also you add other types of technologies like a wireless connection of a switch into a ball, speakers, callers, et cetera, different experiences for the consumer. So, we believe that that new technology, a part of it can be sold or can be shared with consumers at retail, but really a big majority of that it's more customized or it has specific requirements for the customers and the consumers. And that's where e-commerce and other types of omnichannel options come to play to help us reach those needs of those consumers.

**Brian Miller (06:30):**

Excellent. You mentioned a little bit about some of your evolving needs. Tell us a little bit about how the product life cycle has changed for GE lighting from a, let's say even an incandescent light bulb, to what's fairly standard industry, which is an LED light bulb in all our homes, the product life cycle, and some of the attributes that you're seeing and what you've had to do with your business to evolve.

**Alejandro Del Toro (06:52):**

Sure. Starting with the light bulbs, we came up from products that lasted probably a few weeks in the light bulb business, and now to products that last years. So that's one element. Now in the intelligent smart technologies, this is kind of a, just to compare something, this is like an iPhone. It's a technology that changes technology, is very fast-paced. So every year, every six months you'll have new products that you can add to that technology. And there are new needs from those consumers. So you need to be really quick and nimble to be able to keep those changes up there because consumers are going to want to have the latest technology, the latest product, the latest thing. So we're still in the learning mode on how that life cycle stands. If it's a year if it's six months if it's a few weeks. We're in that mode and we need to have the capability to be able to change things fairly quickly, to have the level of inventory of the products quickly for those consumers that are looking for those products.

**Brian Miller (07:47):**

I always liken your industry to a very fashion and design trend industry. And you really, if you think this is appropriate, I think making the statement that that is a fashion industry, you kind of have to follow a product life cycle, the fashion trends, is that fairly accurate?

**Alejandro Del Toro (08:03):**

I would say so. It's very linked to fashion it's very linked to what the millennials and the new consumers are trending into. And we just need to keep up with those moves. And again, it's a market that no one really knows at this point, we're just going into learning mode, we're hiring and working with people that are closer to how the market behaviors are doing and translating that into the new designs or the new products that we're launching every year.

**Brian Miller (08:30):**

Wow. That's incredible. And thank you for that. You know, one of the things you've mentioned is you have a strategic relationship with DHL. How has that relationship evolved over the years to support the needs of multi-channel fulfillment and staying competitive with your industry peers?

**Alejandro Del Toro (08:45):**

Sure. Well, obviously, we know we've been working for more than 14 years. And one thing I would say, I think in the retail industry, in the CPG industry, we learn about this a long time ago that our expertise was not necessarily being experts in distribution and logistics. We felt that our strong, our core business is more in development, that technology, and the products, and because of that, we have been partnering with you and with 3PLs in a way that you guys can make up for the absence of focus and knowledge that we don't have in the distribution and logistics area with our products. So I think partnering with a 3PL like DHL is great because that way we can really be focusing on what is our market, what do we need to do with our market? And you guys help us develop all those technologies that you have the core knowledge to make sure that our products are in the right levels of inventory at the right time in the right channels. And you also give us that flexibility because you're up to speed on what the markets are doing and how quickly we can move from a normal type of warehousing to an e-commerce type of warehousing or a different type of space to be able to source and supply products on timely quality and the right cost basis.

**Brian Miller (09:56):**

Tell me how some of your metrics with the relationship you have with DHL have improved in terms of inventory accuracy, on-time order fill, all so important when trying to expand into a multi-channel omnichannel type of fulfillment strategy.

**Alejandro Del Toro (10:12):**

Partnering with you guys and you have those different types of technologies and systems in place have allowed us to move from low nineties in inventory accuracy to 98, 99 on a regular basis. That's a big deal. That's a big change because that way we can make better decisions. We can manage our cash and inventory way better, and we can make commitments to our customers and consumers in a different way. It also helps us optimize our cash and help us even determine what technologies are really moving along as we would like to move. And in fact, that's one of the many elements to determine what is the right cycle time of a product. You know, if you guys, with your information, with your data, we can understand how long a product has been staying in the warehouse. And that way we can then make decisions to feed into our development team, to say, guys, this product is not necessarily moving as we have expected, what are we going to do about it? So I think that the interconnection of your technology with our business strengths is helping us drive better decisions for our business.

**Brian Miller (11:14):**

I'm going to revert back to, you know, something that you were talking about when we were both talking about how fast your product life cycle seems to be. I mean, what is your average new product introduction, the lifecycle, and how much focus are you placing on the R&D inside GE Lighting these days?

**Alejandro Del Toro (11:31):**

It varies by product. I would say that in the standard, core technology of lighting, we're trying to make changes with more efficient energy products, et cetera, every six months to a year. Now in the smart technology that's, as I said, we're in the learning mode. Right now, every quarter, we have potentially an adder to what we have launched a quarter ago. And it may be minor and within three months, but then after six months, we have a milestone change in what that product is. And that's just

basically the dynamic of the market and that's how people are looking. And there's a lot of competition because, to be honest, there's competition out there. Competition is also trying to catch the same level of consumers that we're trying to capture. And because of that new news, new products, new innovations are critical to getting the attention of the consumer. So I would say every three to six months, we continue to add new technologies, new specifics to the product.

**Brian Miller (12:26):**

That's amazing. It's probably one of the fastest new product cycles that we see probably in the entire industry. I guess, Alejandro, as we kind of go into a conclusion here. You know, what advice would you give companies within the building and construction segment supply space to evolve their supply chains where they don't have a 3PL partner yet?

**Alejandro Del Toro (12:47):**

I would suggest that it's made a difference to us in many ways. Again, we can spend more of our quality time in developing the products, especially in this demanding environment where you need to make changes on a much regular basis and having the experts, or having an expert, working and team up with you to handle your products and be able to move your products wherever you need. I think one of the things that we love about DHL and other 3PLs is the presence in the US and globally. So it's not like you need to start from scratch and build a new warehouse. So that always gives you that efficiency of, okay, we need to have a product let's say in Texas. Well, I'm sure with a 3PL there's going to be something around that area that will quickly allow us to move into that area much faster than what we're doing today. A good example of what we've done with you guys, which is just very recently, as you remember, we had a situation going on in California where there's a lot of congestion of products, et cetera. However, we were getting a ton of volume into that location due to the spike of the pandemic. And because of that, we needed to find a place. Spots in California are very difficult to find and having a good partner with DHL, in this case, allows us to be quick and be able to open up a second cross-dock to improve our capacity and throughput of product. So I think those are the benefits to work with you guys or DHL or 3PL company, just the flexibility to be able to reach products and flow of product much faster.

**Brian Miller (14:09):**

One last question, Alejandro, what do we kind of expect out of the next two to three years out of GE Lighting Savant? You talked about the smart technology, but what kinds of things can we look forward to seeing from your company?

**Alejandro Del Toro (14:21):**

Sure. I think one of the synergies that this union of GE and Savant brought to us is that Savant is very niche to high-end consumers. This is like high-end hotels, cruises, where they maximize, optimize and automate all those areas, right? How to close your curtains automatically, how to turn on all of your appliances, how do we ensure that you are not wasting energy in your houses? So that's the core business of Savant. And they saw this venture with us too, okay, we have all this technology, but we are in a very niche space. So how do we take that technology into retail? So we're working with them to see how do we do that flow of very high-end to mid-tier, to low tier to be able to have similar products into different areas, into different markets. So that's one area. Now for us into Savant, there are quite a few interesting technologies on the ecosystem interaction with Google and Alexa, all those things, that they are experts on, and that our products that are really presented in the retail market today, do not have. It's a very holistic approach where we're trying to learn from them and reapply it in the retail market and they're trying to take from us to try to bring their products down to the different markets and different customers. So I think that's what you're going to see in the next few years. You're going to see a lot of interaction, a lot of movement, a lot more products competing in the market, not only at a very high needs but also at the mid-tier level that you will see in the different stores in the US.

**Brian Miller (15:55):**

Well, that sounds like a completely complimentary service set that you have there and we're looking forward to seeing what you guys have too. Well, Alejandro, thanks for your thought leadership today. You know, thanks for addressing how you're tackling the multi-channel, the omnichannel supply chain strategy. You know, I have personally enjoyed a fantastic relationship with you and your company. I thank you for that.

**Alejandro Del Toro (16:15):**

No, thank you, Brian. Likewise, thank you for the time. And hopefully, some of this can help somebody else make their business better going forward.

**Will Heywood (16:23):**

If you enjoyed the conversation today, please share it with a friend and rate us on Apple Podcasts. You can find us online at [dhl.com/allbusinessnoboundaries](https://dhl.com/allbusinessnoboundaries) and follow us on LinkedIn and Twitter @DHLSupplyChain. We'll see you next time.