



How to simplify the supply chain enigma for retailers

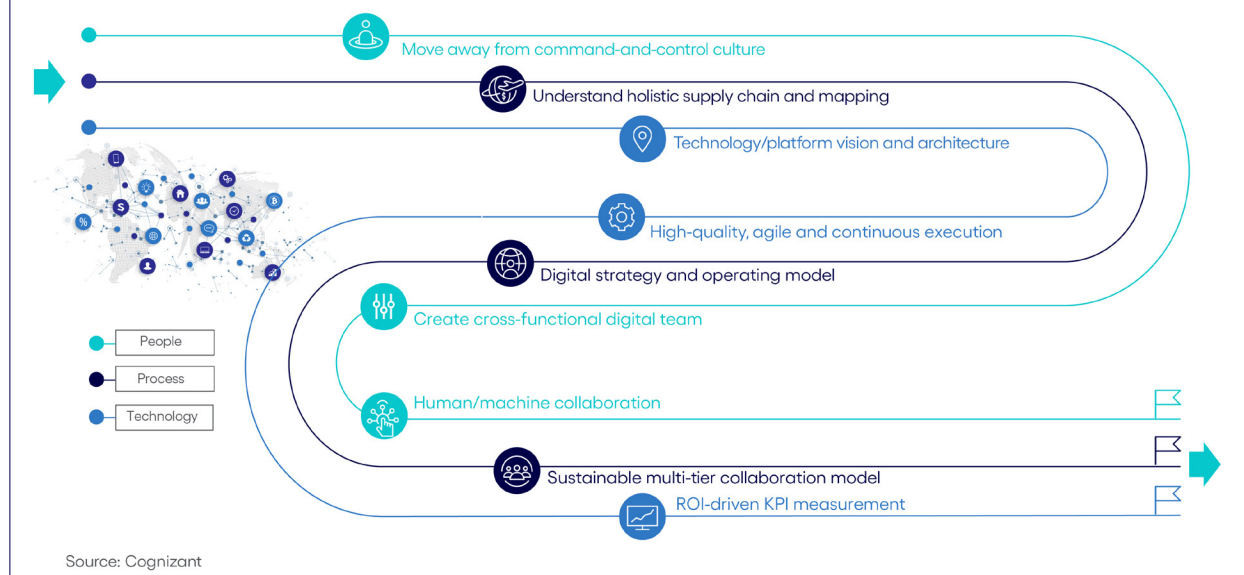
In the face of global supply chain disruptions, a combination of emerging technologies and growing impetus for change offers a promising path forward for global supply chains

Years of cost optimization, vendor consolidation and just-in-time inventory management left businesses ill-prepared for the supply and demand shocks that we are experiencing in a volatile, uncertain, complex and ambiguous (VUCA) world. With increased natural disaster events and complex geopolitical scenarios, it is anticipated that the supply chain vulnerabilities will continue, and organizations need to be mindful of them and create supply chain strategies that are forward-looking.

Supply chain disruptions are not risks anymore, but a reality. Rather than trying to mitigate individual risks for a particular disruption, value chain-based system thinking approach is required to become resilient. We strongly believe that organizations that are well prepared for these events are likely to be successful in the future and emerge as market leaders.

In the future, supply chains will be built around three critical components—people, processes and technology (see Figure 1, below). The enormity of the task ahead can seem overwhelming, but the cost of inaction will be far worse.

Rewiring the supply chain for a post-pandemic era



In a supply chain context, retailers are closest to the consumers and furthest from the production. Supply chain disruptions manifest in out-of-stock scenarios for retailers, which in turn impact retailers' brands and market perceptions. It is of paramount importance for retailers to understand the challenges and take preventive measures to protect their businesses. Mentioned below are the key areas that retail supply chain managers follow to design future supply chains:

Resilience: Given its increasing global interdependence, today's supply chains are increasingly becoming VUCA (Volatile, Uncertain, Complex, Ambiguous). In fact, our discussions with supply chain leaders reveal that roughly one-third of the goods sold by businesses to consumers cross at least one international border. Prior to the pandemic, Nike operated through an almost entirely centralized national distribution center model. However, the company has since deployed a multi-node network, including in its European distribution, developing a regional service center in Madrid to expand its distribution network outside its European Logistics Campus in Belgium. Organizations who are effectively mitigating the challenges and recovering quickly from the disruptions are gaining market shares. Read more about Nike's supply chain transformation: [How Nike transformed supply chains to survive Covid - Supply Management \(cips.org\)](#)

Sustainability: Sustainability is one of the key areas of focus for future-ready supply chain organizations. With increasing awareness on sustainability among consumers and purpose-drive approach by employees, and mounting regulatory pressure, sustainable practices are not optional anymore,

but a must for organizations. European retailers are leading the way. For example, fast-fashion giant H&M is offering clothing rental service for the first time, enabling short-term loan of items that can then be reused by different consumers. Supply chain component is the most impactful one for combatting social and economic inequalities—and climate change—for a sustainable business. Read more: [H&M offering clothing rental service](#)

Collaboration: Countering the growing complexity and interdependence in today's supply chain calls for greater collaboration among the participants. A McKinsey survey of over 100 large organizations in multiple sectors found that better buyer-supplier collaboration resulted in higher growth, lower operating costs and greater profitability than industry peers. Technologies such as blockchain are being widely leveraged by retail players in the EU and Nordics, such as Albert Heijn in partnership with its supplier Refresco, has taken the next step in offering transparency to its customers in the Netherlands. [Juicy details: Albert Heijn uses blockchain to make orange juice production transparent | Ahold Delhaize](#) Read more: [McKinsey survey](#)

All the above opportunities can be achieved by analyzing the entire supply chain and taking actions through people, processes and technology, which are the three most crucial elements of organizations.

People improvements:

People drive organizations. They are even more important in supply chains which have vast geographic, social and cultural ranges. With acute shortage of skilled workforce and rapid progress of AI technology, the human/machine collaboration is the future of organizations. However, most businesses are not geared up for the shift and that make them vulnerable and exposed. Some of the key areas to consider include:

- Create cross-functional digital team to understand the digital trends and constantly leverage opportunities
- Move away from command and control culture and promote intervention by exception
- Using continuous learning framework for employees to learn and adopt newer ways of working
- Leverage human/machine collaboration to ensure data-driven decision making
- Create agile delivery organization to support continuous enhancements

Process improvements:

To prepare for the future of supply chain, a holistic review of the existing process is required. This starts with mapping the supply chain end to end and understand the vulnerabilities. Once the vulnerabilities are identified, this allows planning for contingency and for deploying critical assets in the correct node of the supply chain. A holistic process improvement will enable retailers to maintain a balance between efficiency and resilience while maintaining sustainability at its core. Some of the key areas to consider include:

- Map VUCA challenges to the extended supply chain rather than just focusing on individual network touchpoints
- Establish a digital strategy and operating model to ensure that the organization is harnessing the full potential of digital technologies and ways of working
- Ensure decision making, considering a broader context of end-to-end supply chain and not the affected part alone

- Establish a multi-tier collaboration model, starting from inter-department collaboration and then, expanding to tier two and beyond with suppliers
- Create strategic alignment between supply chain organizations and share best practices.
- Embed transparency and trust within the supply chain
- Consider alternate suppliers closer to customers, and reduce time to fulfil and support hyper personalization
- Plan for newer business models and opportunities, such as the circular economy

Technology improvements:

To prepare for the future of supply chain, advances in digital technologies need to be harnessed. The rapid progress in the digital platforms allows businesses to map, integrate, track and respond rapidly to any supply chain disruption and collaborate with its peers in a more effective way, without compromising competitive advantage. Some of the key areas to consider include:

- Having a comprehensive technology/platform vision and architecture to allow internal and external collaboration
- High-quality, agile and continuous execution is very important for retailers to get timely benefits from the technology shifts
- Integrated platform allows ROI-driven KPI measurement over a time series and predict insights into the supply chain efficiency and resilience
- Enhance supply chain planning capabilities by consolidating to a single source of truth that is supported by AI-powered models to continuously improve
- Deploy digital twins to virtually stress-test the supply chain and identify weak links
- Use a digital control tower to quickly identify and resolve issues and collaborate across functions to resolve them
- Use automation to protect against labor market fluctuation, especially at the warehouse

Learn more about how we help customers leverage digital to modernize SCM:

Supply Chain Management Solutions >

Contact us:



Contributors:



**Premankur Roy Paladhi – RHCG
Industry Solutions Group**

Premankur (Prem) heads the global delivery for Industry Solutions Group for Retail, Consumer Goods and Travel & Hospitality at Cognizant. With 25 years of industry experience, Prem has been a trusted advisor for global clients to transform their supply chains through systems thinking. Prem has successfully built multiple practices focusing on value chain areas (Plan>Buy>Move>Sell) and managed products and offerings for global tier one businesses. He's a people leader and passionate about the use of digital solutions to make businesses sustainable from economic, societal and environmental perspectives.

“Standing at the end of the supply chain, retailers are most vulnerable to any disruption in supply chain as it directly impacts their brand perception. A systems thinking approach is critical for retailers all while keeping resilience, sustainability and collaboration in mind.”



**Arun George – Senior Manager
MLEU Consulting**

Arun George is a supply chain and sourcing professional with a technology and operations background, with over two decades of experience in public and private sectors in varied domains within energy and utilities, ESG/sustainability, transportation, engineering and construction, and shipping and freight industries. As a part of the MLEU Consulting (Benelux) practice in Cognizant, he specializes in helping clients optimize their digital transformation strategies in supply chain and procurement. Arun's goal is to provide his clients with technology solutions that are tailored to their specific needs and that can help them achieve their desired business outcomes.

“With the evolving market conditions post pandemic and adapting to the changing world order, the retail industry's focus will shift to building resilience, changing consumer behaviour and sharpening focus on net-zero commitments to create an environment that allows for profitable sustainable growth.”



Cognizant (Nasdaq-100: CTSI) engineers modern businesses. We help our clients modernize technology, reimagine processes and transform experiences so they can stay ahead in our fast-changing world. Together, we're improving everyday life. See how at www.cognizant.com or follow us [@Cognizant](https://twitter.com/Cognizant).

World Headquarters

300 Frank W. Burr Blvd.
Suite 36, 6th Floor
Teaneck, NJ 07666 USA
Phone: +1 201 801 0233
Fax: +1 201 801 0243
Toll Free: +1 888 937 3277

European Headquarters

280 Bishopsgate
London
EC2M 4RB
England
Tel: +44 (0)1 020 7297 7600

India Operations Headquarters

5/535, Okkiam Thoraiakkam,
Old Mahabalipuram Road,
Chennai 600 096
Tel: 1-800-208-6999
Fax: +91 (0) 44 4209 6060

APAC Headquarters

1 Fusionopolis Link,
Level 5 NEXUS@One-North,
North Tower Singapore 138542
Phone: +65 6812 4000