

COVID-19: Creating a Sustainable Supply Chain

To cope with the coronavirus pandemic, consumer goods and retail organizations need a holistic supply chain strategy. Together with a digital foundation, this helps anticipate disruptions and provides proactive recommendations to keep pace with the fluctuating demand and fulfillment cycle.

Fear and uncertainty abound as the pandemic spreads globally, causing major business disruption across industries. When it comes to the impact on supply chains, organizations must consider operational continuity from two perspectives:

Demand side:

Consumers are reacting emotionally. Grocery and other consumer good retailers are seeing increases in demand of up to 25% as many people self-isolate or stockpile goods to hunker down for the immediate to long term.

Supply side:

Fulfillment is an equally important issue. China was not only at the epicenter of the crisis, but it is also the largest supplier of components and goods to the global supply chain. This has created significant supply chain instability.

Even without a pandemic, given the global interdependence, today's supply chains are increasingly volatile, uncertain, complex and ambiguous (VUCA). For example, in a food and grocery supply chain, fresh produce is the most complex, with a long production cycle and short shelf life.

Supply chain visibility is rarely holistic and lacks systems thinking. What's good about systems thinking then? It allows the supply chain to be viewed as a whole rather than as the different components that underlie it. It also considers challenges within the entirety of the system and not just the section of the system where the challenge resides. This approach means organizations must gather data over a time series and use these inputs to predict supply chain movements - for example, looking at safety stock versus wastage figures as a time series over many months rather than for a particular period.

To accomplish it, our advice is to consider the following foundational building blocks:

1. Distributed network

Most companies are trying to maximize efficiency by minimizing assortments, making small batch replenishments and embracing supplier rationalization. However, this can compromise resilience. A distributed and trusted network allows businesses to react to uncertain fulfillment of demand.

Digital provides an opportunity to automate key elements of the supply chain (e.g., warehouse and yard management). This can reduce the dependency on human labor and help sustain fulfillment in a time of crisis (i.e., when workers are not available, or processes change due to quarantines or social-distancing requirements). A robust distribution network (warehouses and logistics) with high-quality standards can help a brand to safeguard its supply chain. Does your business have the tools to manage the complex and distributed network? If not, it needs to find and implement them, quickly.

2. Centralized procurement

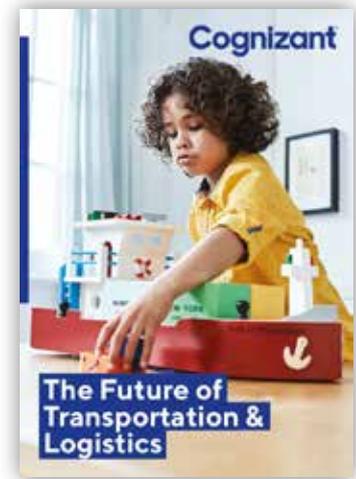
Many organizations are applying technology to integrate data streams to minimize inventory holding at every node. However, having excess inventory may provide flexibility in a disruptive scenario such as the COVID-19 crisis, helping them to more effectively manage through prolonged uncertainty. At this moment, consumer stockpiling is resulting in empty shelves, which in turn is fueling panic buying and is adding to a demand spike. Centralizing procurement strategy rather than individual buying decisions provides better control and visibility of inventory for retailers to react faster and address the demand spike.

3. Collaboration

Organizations are typically highly protective about supply chain data, believing it to be a competitive advantage. However, collaborative planning, forecasting and replenishment (CPFR) will help organizations to enhance supply chain resiliency in times of crisis. Blockchain technologies allows trust-based information sharing (e.g., excess capacity in the logistics network) to optimize resources and reduce waste in the supply chain. (See our white paper on how this works in the apparel and footwear business.) Sharing of non-sensitive information within the supply chain through trusted means will benefit all organizations linked through the chain including manufacturers, distributors and retailers.

4. Learning

Each experience should enrich future learning. Ongoing supply chain disruptions and the decisions taken to overcome the challenges of fear, uncertainty and doubt that define the COVID-19 pandemic should be recorded and applied if and when another crisis emerges. Learnings for Consumer Goods and general business advice on.



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