

# Supply chains need an upgrade, not a reboot

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**Supply chains are complex, interconnected and interdependent networks of manufacturers, distributors and retailers. And while this interconnected aspect is what makes them strong, the very same interdependence however, makes them vulnerable to disruptions of any magnitude.**

Certainly no contingency plan could have anticipated a widespread, global pandemic. Looking back however, the problems with supply chains weren't created by the pandemic, instead they were simply exposed and exacerbated by it. Now, as we continue to work to get things back on track, following the latest challenges presented by the highest inflation in 40 years and the supply chain disruption caused by a war in Eastern Europe, it has become clear that supply chains need more than just time to work out the kinks. Rather, supply chains need an upgrade that will modernise the way we think about, respond to and manage everything from purchasing behaviours and customer expectations to labour costs, shipping and manufacturing practices – in other words, there's no going back to the old ways.

## Perpetual change

So, in a world where normal is in the rear-view mirror, how do retailers and sellers of all kinds master the perpetual change we all now accept as the new standard? One could make a case against offshore manufacturing to avoid supply chain breakdowns. A more balanced blend of off-shore, near-shore and on-shore can certainly help, but a total reversal to domestic manufacturing would bring higher labour and

manufacturing costs leading to product price escalation. With global economies dealing with inflation, anything that adds to product and inventory costs should be avoided, at least in the short-term. Likewise, concerns of an extended or repeat disruption to supply chains could lead some companies to increase inventory levels to ensure availability in moments of slowdowns. However, the working capital and balance sheet implications render this strategy impractical for almost every organisation - stationary inventory that is not being sold is almost always unaffordable.

## **Advanced technologies**

Modern technology can of course be part of the solution. Already, it has provided greater visibility into global supply chains, which is why today's retailers and sellers are more likely to offer the 'it's stuck on a cargo ship' explanation for inventory and delivery challenges.

While greater visibility doesn't help solve immediate inventory issues, newer innovations in technology can go a long way toward minimising the impact of major disruptions and, in some instances, significantly offsetting the potential impact of these events. Consider that first steps toward developing an effective contingency and business continuity plan begins with a risk assessment and an accurate forecast of demand.

In an age where artificial intelligence and machine learning are informed by real-time data in the cloud, those assessments and forecasts must be powered by advanced technologies so that they can deliver the flexibility and agility needed to be competitive in 21st century omnichannel retail environments.

***"Supply chains need an upgrade that will modernise the way we think about, respond to and manage everything."***

## **Trusted advisor**

For the retailer, the ability to analyse mountains of market data in near real-time is key to enhancing the choices of decision makers, providing them with all the relevant data needed to get a product to the customer in the fastest, most cost-efficient and sustainable way. Over time, the technology (with insight into seasonal demands, geographic sales trends, warehouse inventory and even weather conditions that might impact transportation costs) becomes a trusted advisor with sophisticated recommendations for business decision makers. Optimisation formulas driven by math, science, machine learning, artificial intelligence and the adoption of automation and robotics systems can deliver a supply chain operation that's optimised for modern-day opportunities and maybe more importantly, challenges too.

## **Change is the new constant**

While economic pressures, such as inflation, may alter the amount of disposable income available to consumers and businesses, the service level expectations around online, in-store shopping and home delivery are unlikely to change.

Online shopping had been seeing steady growth prior to the pandemic. But demand exploded as people quarantined themselves at home and turned to online shopping and home delivery of goods. Again, this was a trend that was exacerbated by the pandemic, rather than being the result of it, but you cannot put that genie back in the bottle now. Brands with physical storefronts had already started (and are continuing today) to introduce transformational digital capabilities to offer more experiences and broaden their appeal to different customer behaviours and generational spending habits.

## **Agility and flexibility**

Yet for many brands and retailers, there is broad awareness that supply and demand challenges remain and that's left them with all-but-certain inventory challenges that have the potential to dampen the 2023 holiday season if not acted upon now. Couple this with the pressure to focus on profitability at a time when the consumer wallet is under the most pressure since 2008, implementing advanced supply chain technologies with the agility and flexibility to respond to disruptions and other challenges down the road, will be the key to remaining in the black.

It may seem like a simple declaration but, at the end of the day, we need to go beyond resilience and redundancy in our supply chains. Real-time flexibility and agility are the new cornerstones of commerce and supply chain confidence. As old rules and norms fall by the wayside, the ability to transform on the fly and master the constant change we are now faced with will separate the commerce thrivers from the mere commerce survivors.



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