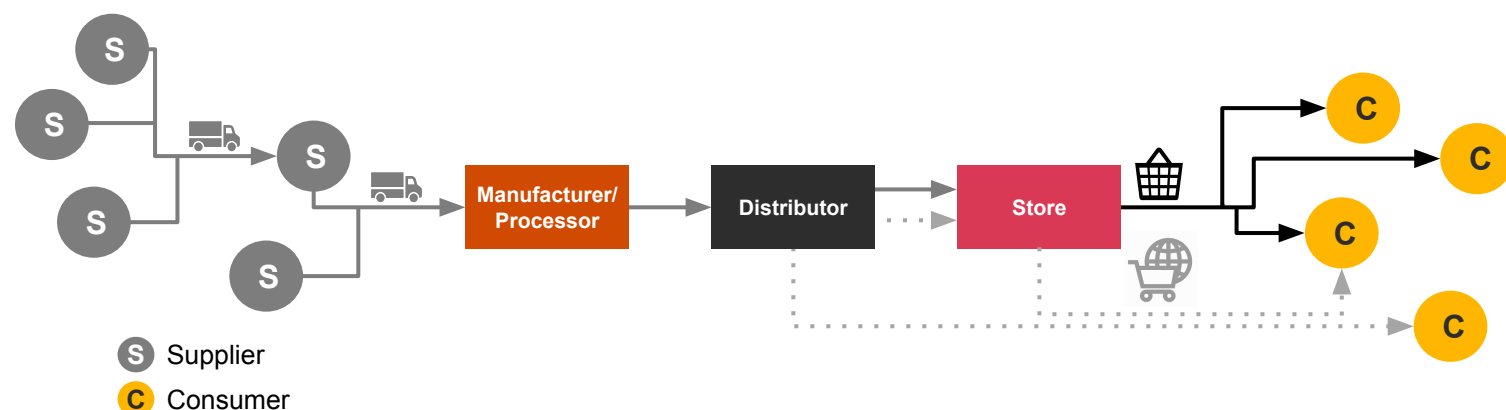


Retail in a 1.5-meter society: Sustain robust and transparent supply chains



COVID has shown the vulnerabilities in retail supply chains

The single one retail supply chain does not exist. In recent years, we have seen different trends in retail go-to-market approaches requiring different supply chain setups. Traditional retailers focus on a cost-efficient supply chain to get large volumes of consistent product portfolios to their stores in the most efficient way. On the other hand, we are now seeing a growing number of retailers in the market pressing their supply chains to adopt a more flexible type of performance to deliver their products to the consumer.



Each retail supply chain setup has its own strengths and vulnerabilities, but regardless of the way the supply chain in retail has been set up, it is obvious that each of them has been hit by the consequences of the COVID-19 crisis.

- We see **disrupted demand patterns**: shifts, sudden peaks or extreme drops in demand for products
- We observe **supply gaps**: unavailability of suppliers, transport disruptions or insufficient capacity in warehouses or production/processing facilities.
- And in many cases disruptions have occurred on both the demand and supply side of the chain

Due to the diversity in the retail supply chain, there is no single remedy to handle the wide range of supply chain challenges caused by the COVID-19 crisis. However the crisis did bring a common insight: it demonstrated to all retailers the vulnerabilities in their entire supply chain. And, one thing is for sure: whether it will be another pandemic, an economic crisis, a natural disaster, a political conflict or just a truck stuck in a traffic jam, **supply chain disruptions in retail will continue to occur**.

Being ready for the next crisis is not for free

Now you are aware of the supply chain vulnerabilities caused by the COVID-19 crisis, the key question is: what are you going to do about it and how do you make sure that next time, you are better prepared for it?

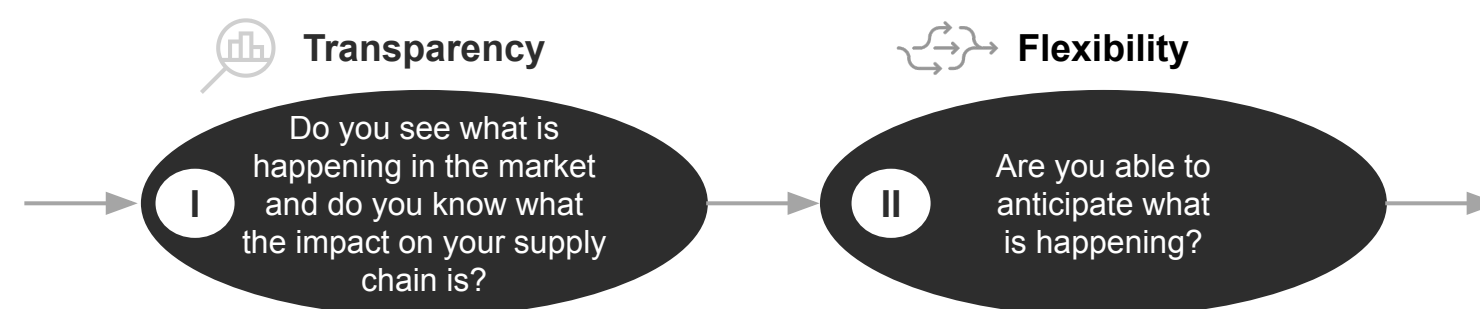
Sometimes, the answer can be as simple as increasing capacity or resizing/relocating inventory. However, looking at dependencies and complexities in many retail supply chains and the chain-wide impact of the current crisis, a thorough evaluation of the **end-to-end supply chain resilience** will provide the insights to make the right choices going forward. We believe that conscious choices around resilience need to be made now and are crucial to rebuild or maintain a healthy business in the current industry.

Supply chain resilience comes at a price: what is supply chain resilience worth to you?

End-to-end supply chain resilience comes at a price and a fundamental trade-off has to be made: what is supply resilience worth to you. Improving resilience requires an investment and it might not provide the cost efficiencies you used to have in your supply chain, might not be aligned with your current supply chain strategy. **Consciousness** is the magic word we recommend to keep in mind.

Assessing end-to-end supply chain resilience: where to start?

In our view there are two main drivers in end-to-end supply chain resilience: **Transparency** and **Flexibility**. Starting to evaluate your supply chain resilience comes down to asking yourself the following two basic questions:



Understanding the **maturity** of your supply chain transparency and flexibility by considering the following dimensions will give you insight into where the eminent areas of improving your supply chain resilience can be found:



Transparency

- **Visibility of (supply) network**: where are your suppliers, your supplier's suppliers, your customers, inventories and associated dependencies?
- Understanding of **events** that are happening or are going to happen (trends, disruptions)
- Insight into how events and trends **impact** your supply and customer network



Flexibility

- Understanding of **what it takes** for your supply chain to anticipate changing circumstances
- **Capability to act** on changing situations in your supply chain
- **Speed to act** on changing situations in your supply chain: how fast can you respond or make changes in your supply chain?

Increasing end-to-end supply chain resilience

Just like there is no single remedy to handle today's challenges in the retail supply chain, there is no one-size-fits-all recipe to improve supply chain resilience. However, we have seen typical examples and **best practices** throughout the retail industry that help retailers break out of the status quo and find their route to the customer again:

- Control towers or advanced tracking and tracing capabilities enabled by blockchain are already helping retailers to locate their suppliers and goods at any given time, a good start on improving transparency*. We have seen that the COVID-19 situation has prioritized the digitization agenda of many retail companies.
- Flexibility may increase by removing unnecessary complexity ('cutting the tail'), but also by means of flexible warehousing solutions or from 'ship to store' initiatives that have been explored more intensively during the COVID-19 crisis.

- We observed successful initiatives in changing supply channels towards the customer: suppliers offering fresh products directly to consumers instead of through traditional channels, large online retailers opening up their e-commerce platform for typically offline fashion stores or physical stores being turned into distribution locations to enable last-mile deliveries.

A clear common denominator in most of these examples is that all retailers try to **find alternative ways** to reach their customers, collaborating with their suppliers or using technology.

The moment to assess end-to-end supply chain resilience is now

Whether best practices from the industry work for you depends on what vulnerabilities the COVID-19 crisis has revealed in your supply chain. It is obvious that assessing supply chain resilience in retail needs to be a conscious and comprehensive exercise. With the **COVID-19 impact still fresh** and the vulnerabilities clear, this is the moment to ask yourself what your supply chain going forward will look like:

1. Take the lessons learned from the COVID-19 crisis and understand what vulnerabilities it revealed in your end-to-end supply chain.
2. Accept that disruptions of whatever kind will occur for sure in the future and will impact your supply chain.
3. Know the maturity of your supply chain resilience by assessing supply chain transparency and flexibility.
4. Get inspired! If used smartly, new technology can enable improved supply chain resilience. Find out where it can help you.
5. Understand that resilience comes at a price and make a conscious decision regarding what supply chain resilience is worth to you.

Finally, remember that your supplier, your customer and your competition will go through the same set of questions!

*Our recent **Global Supply Survey** learned that digital maturity is an important enabling factor in increasing the level of transparency and flexibility in supply chains.

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Our Consumer Markets team is here to help as well

Looking to (re)evaluate your strategy? We can help.



Future of Retail Game

Scenario-based gaming experience to simulate responses to COVID-19 challenges.



Retail future readiness scan

Capability assessment to evaluate your maturity within the retail value chain.