2020: the year to refine your supply chain

By Fordham
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Calendar year 2020 will no doubt be etched in business owners' minds for many years to come. What started as a health crisis turned into a financial crisis and uncertainty about the

duration, size and shape of the hit to GDP and employment undermined what remained of business confidence.

For those businesses that are able to adapt and refocus their business, it might just be a year that they look back on as being that moment in time when they were forced to look closely at their operations and come out renewed and fighting fit. For those trading in the apparel and footwear industries, their supply chain leaders have had to build rapid response capabilities to mitigate the fall-out from the crisis.

Of course, the crisis has created an abrupt shift in consumer behaviour. Consumers have shifted their spending preferences to food, household and personal care whilst decreasing their spending preferences in restaurants and apparel. Further within these broader industry segments there are winners and losers. Athleisure wear is on the up, with more formal attire and suiting less in demand.

Aside from the demand changes for product, the self-isolating, quarantining, and stay at home orders during the pandemic have all contributed to notable increases in online shopping and delivery of goods.

Stores, logistics systems, distribution facilities and supplier networks weren't engineered for the rapid shifts in demand patterns we are seeing today. To adjust, retailers are retooling every aspect of their supply chains from procurement to customer service.

This pandemic has forced retailers to adapt their supply chains by either revising their purchase orders and merchandise plans, or by allocating resources to where they need it most. Most retailers have redeployed resources to support online orders or reduced resources for subdued/closed retail stores.

As they look towards the future, retailers are reviewing and pruning their assortment of products for upcoming seasons as well as endeavouring to push the timing of shipment to be over multiple drops to avoid bringing in too much stock when further shocks or trading restrictions or changes in consumer demand may inhibit the businesses ability to move it.

As retailers recalibrate their product orders to line up with anticipated consumer demand, including the modifications to range, they need to cascade these changes across purchasing, planning and inventory management operations.

This is all at a time when businesses have also had to cope with international shipping rates rising by up to 20% and the availability of space within shipping also being constrained. This presents another additional cost to businesses operating in a COVID-19 environment where they are most likely unable to be passed on to consumers.

Some retailers learned the hard way about their concentration risk within their supplier base and are looking for near shoring opportunities and/or looking to diversify their production

from mainly Chinese manufacturers. When exploring their options, pleasingly retailers are heading the consumers desire for their favourite brand to be engaging in sustainable business practices and are now much more conscious of their social and environmental footprint.

Duplication in all its forms is being eliminated and most retailers are adapting to bypass distribution centres in some form and ship direct to store. Furthermore, at the customer end of the supply chain, some retailers are relaxing the order size to qualify for free postage and offering a more relaxed return window to give customers more flexibility.

With creative and resourceful responses to the pandemic, retail supply chains can make sure that customers are able to buy the goods they need whilst also ensuring the health and safety of both consumers and supply chain workers. It is important that the lessons from this challenging time get embedded to help businesses make their supply chain more resilient in the future.

If you're seeking assistance or advice in relation to any of the above or managing your way back from the implications of COVID-19 in general, please do not hesitate to contact us at Fordham.

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