Beating Supply Chain Pressure:

COMBINING TECH, CLOUD AND COMMUNICATION TO KEEP SHELVES STOCKED

retail TouchPoints®

INTRODUCTION

As shoppers scoured shelves for once-plentiful items like toilet paper, cleaning supplies and non-perishable foods, COVID-19 laid bare weaknesses in sourcing and supply chain partnerships. Now a potential second wave is looming, combined with an ecommerce-focused holiday season, and retailers need to be ready for a whole new slate of supply chain challenges.

The key tools for keeping up are basic ones: **preparation** and **communication**. Unfortunately, demand forecasts based on past trends are of little use during an unprecedented global pandemic, calling for a new approach to understanding trends. Additionally, once a supply chain "hole" has been discovered, the right people need to be contacted to patch it without delay. Companies can't just keep an eye on trends — they need to discover and react to moment-to-moment surges.

"In retail we look for trends, because that's what will happen for a longer period of time, and we avoid fads," said Suketu Gandhi, Partner in the Digital Transformation practice at **Kearney** in an interview with *Retail TouchPoints*. "Today, these are not really fads. They're immediate need items that are driving sales right now. It is not a trend — it happens, then it's gone — but the financial impact is non-trivial."

This *Retail TouchPoints* Tech Guide will provide information on how retailers can keep up in this environment, and improve communication both internally and externally, by adhering to strategies including:

- **Flexibility is paramount:** Stock-up events come and go, and the specific products flying off shelves can change as quickly as week to week, so retailers need to have the tools in place to quickly react and adjust their operations accordingly;

- **Inventory visibility combats uncertainty:** Efficient communication is useless without knowledge of what the message should be, so both retailers and suppliers need knowledge of what they have in stock to prepare for sudden rushes;

- **Big data needs to get even bigger**: Tools like exception reporting and social media monitoring can collect an even bigger data pool than ever, and proper analyses of this information are key to staying ahead of trends rather than always playing catchup; and

- **Collaborations are critical:** Communication isn't just between supplier and retailer — keeping open communication channels with transportation providers, marketplaces and even other non-competitive retailers are all key to managing supply chain bottlenecks.

Flexibility is at the Heart of the Modern Supply Chain

Perhaps the biggest current source of pressure on supply chains is uncertainty: the shifting circumstances created by the pandemic mean consumer demands and supplier availability can change on a moment's notice. While there are multiple technologies that can help retailers keep up with the chaos, maintaining flexibility is the key to making the most of them.

"There have been a lot of things coming together in a very short time, and what we're seeing our clients really value is flexibility," said Sean Whitehouse, Managing Director, Retail Strategy at **Accenture** in an interview with *Retail TouchPoints*. "What I mean by that is better use of your **assets**, your **distribution centers**, your **market fulfillment centers** and your **stores**. What else will give flexibility is using existing partnerships and looking for new partnerships, not just in the transportation space but for other elements as well."

Two of the key technologies for maintaining flexibility are **cloud computing** and **broad APIs**. The use of cloud lets retailers implement tools that can scale quickly as needed, which is absolutely vital to reacting to a sudden shift in consumer spending habits. Flexible APIs can help retailers connect their entire supply chain, from manufacturer to last mile — and when every supplier and transporter is being hit simultaneously, being able to quickly access alternate options becomes more important than ever.

Additionally, retailers don't have the luxury of working through old stock as they keep an eye on new trends in this environment. Problems need to be solved as soon as they arise, no matter where they hit in the supply chain, and this is where flexibility becomes paramount.

"This is no longer a 'plan, train and wait' game," said Gandhi. "It's real-time from the supplier to the store. You need to ask, 'How do I stock it? Where do I allocate it? How do I transport it?'"

SHORTEN SUPPLY CHAINS FOR FASTER REACTIONS

One non-tech solution to the need for speed is looking for ways to shorten the supply chain, both geographically and politically. Every mile of distance or border between a manufacturer and retailer slows down retailers' ability to react to sudden shifts. While onshoring isn't a quick solution, companies should keep it in mind as they plan their long-term responses to the pandemic.

"How many political boundaries you have to cross, and how many physical geographical boundaries?" said Gandhi. "Think about if it's made in Asia and sold in Europe versus made in America and sold in America. These are the hurdles. First are transportation issues, second are time and visibility, and then the third thing is if something goes wrong, I need more time to make corrections."

Visibility is Important, but Not Enough by Itself

The need for visibility is nothing new, and tech like RFID is the first step in letting retailers truly understand both **what they have** and **where it is** at any given moment. However, the pandemic has revealed the limitations of many of these implementations, as retailers find themselves able to see problems but still unable to properly react to the challenge.

"Visibility gives you nothing unless you can react to it," said Whitehouse. "Now we're enhancing visibility with AI and machine learning to make it more predictive — not just see what happened, but to use tools like supply chain control towers to act on it. Where we're eventually going is not just to predict problems but to generate alerts and give users choices about what they can do about it."

Supply chain control towers are a particularly important technology for taking inventory visibility and applying its benefits throughout the supply chain. These tools can combine visibility, exception reporting, shipment tracking and other independently useful technologies into a collaboration platform that ensures every stakeholder is aware of any potential issues, and can react in a timely fashion.

Even retailers without the means to implement an end-to-end supply chain control tower can benefit from tools that improve communication with manufacturers. Sharing inventory information with each party leads to better decisions on both ends.

"Retailers need frequent, two-way communication with suppliers," said John Harmon, Senior Analyst at **Coresight Research** in an interview with *Retail TouchPoints*. "Factories need to receive demand forecasts and retailers need information on the location of inventory: in warehouses, in vehicles and inside the store, on the shelf or in the back room. Multi-enterprise marketplaces facilitate rapid, frequent communication between manufacturers and wholesalers/retailers."

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JOHN HARMON, CORESIGHT RESEARCH

Retailers are Good at Gathering Data, but They Need to Get Even Better

Keeping shelves stocked means keeping up with shoppers whose habits are changing more rapidly than ever, but this isn't an impossible task. Artificial intelligence can dig through recent sales to uncover unexpected trends, and social media listening tools can check for sudden spikes in mentions. Data has been a big part of retail for years, and the pandemic is only making it bigger.

"People are searching for these things and you know it," said Gandhi. "People are talking about it and you know it. They're dancing to it on TikTok and you know it. There's nothing that stops you from listening to the customer. One of the things that has happened to these supply chains is **the shortening of the time between a want being established and the need to get it into customers' hands**."

Additionally, retailers shouldn't throw out traditional uses of data. While detailed historic data isn't very relevant in the current situation, general factors like time of year and temperature still have a significant impact. The trick is to **use this information as a baseline and apply real-time data that takes the current climate into account when applying these insights to inventory forecasting**.

"Demand forecasting typically uses historical data, which is not very relevant right now in these dynamic times," said Harmon. "Still, the software can use other data such as holidays, local events and weather information and also sense demand from sources such as competitors' data and social media."

RFID AND INTERNET OF THINGS FINE-TUNE INVENTORY INSIGHTS

While following larger trends is important, modern technology lets retailers get granular down to the individual item level. This won't prevent a store from being blindsided by an unexpected uptick in toilet paper purchases, but it can help retailers make the most out of whatever inventory is available — all the way from the manufacturer to the back room of the store.

"RFID is great at determining when items cross certain boundaries, i.e. leave the factory, the truck, the warehouse, their location within the store or when leaving it, which enables retailers to know their location," said Harmon. "IoT takes things one step further, enabling two-way communication, allowing sensors for inventory, temperature of food and other information to be connected to the internet."

Collaboration Will Help Retailers Make it Through — Don't Be Afraid of New Partners

While communication tools between retailers and manufacturers are commonplace, companies shouldn't stop there. As pressure from both the holidays and increased ecommerce sales mount, transportation will likely become one of the weak points in the supply chain. That's why companies need to keep open to alternatives, from third-party delivery to in-store fulfillment capabilities.

"A lot of delivery providers, both the large ones and the small ones, national ones and even the regional ones, are out of capacity," said Whitehouse. "You've got to think about other levers to push, because we want to push people to come into the store as much as possible with BOPIS and curbside, but many retailers still have a significant amount being delivered. How are you going to do that? You have the traditional carriers, but you have to look at other options as well, other third parties that are out there."

A potential out-of-the-ordinary partner is a non-competing retailer in a market you serve. Both parties can work together to combine resources and make the most of limited transportation availability. On an individual basis, companies may look into offerings such as regularly scheduled deliveries, which can reduce supply chain pressure by providing some much-needed consistency in incoming orders.

The key to handling the challenges of modern supply chain management comes down to communication, from keeping track of and disseminating information about internal item availability to working with harried manufacturers and transportation companies to get through the pandemic. Technology is needed to lay the groundwork, but communication takes these insights and applies them to keeping shelves full.

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> ### SEAN WHITEHOUSE, ACCENTURE

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