

# Supply Chains Uncharted Journey

December 2021



**suppeco**

Relationships reimaged



# New norm. So much talk of that...

**New Norm. So much talk of that. Yet the world of supply chain logistics it would appear is in flux.**

There are currently unrivalled seemingly overlapping disruptions affecting just about every area of supply chain across all sectors. From the pandemic to isolated covid outbreaks, major port closures, the pingdemic, ongoing Suez fall-out, displaced containers, throttled capacity, inflation, fuel shortages, HGV driver shortages, Brexit, skilled labour, and materials shortages, I could go on...

The upward disruption curve, which existed long before the pandemic, has been well documented; with **McKinsey & Co** forecasting that in as little as a decade, companies could well experience losing as much as half their annual EBITDA to global disruption. So, the phenomenon is not new. What is new? The patterns of the past are not being repeated. The level of disruption, seemingly all happening at once, that's all new.

In the past, in the old norm, disruptions to supply chain such as natural disasters, political disturbance, trade wars, even regional epidemics, were invariably acknowledged to be acute short term events, where even heavily affected services were always expected to return to the status quo.

But these are seismic shifts. And often with seismic shifts, the landscape changes permanently.



**But these are seismic shifts. And often with seismic shifts, the landscape changes permanently.**

With disruption to logistics occurring like the proverbial game of whack-a-mole it feels not just prudent, but with a sense of real urgency that we intensify new efforts to diversify.

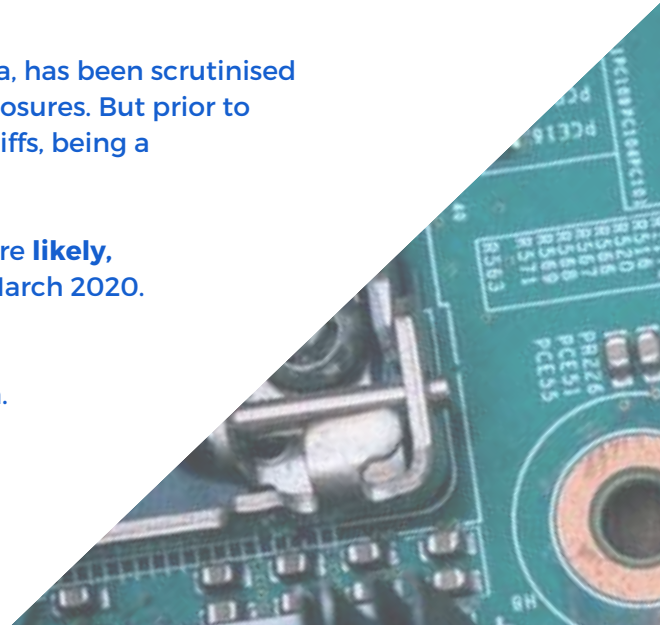
A big part of the problem is that for years, the world's supply chains have continued to drive out cost, relying on low-cost country sourcing (LCCS), eliminating heavy inventories, and opting for leaner, more cash flow friendly JIT models - ultimately creating complex, brittle supply chains that were just as slow to innovate as they were to transport their goods. JIT becomes a false economy if your products remain held and pouring savings into the Pacific for an additional 3 weeks due to port closures.

## **Does the answer lay in reshoring?**

LCCS (known also as single sourcing) usually involving China, has been scrutinised in recent years. Most recently due to COVID related factory closures. But prior to that, trade wars with as much as 25% being imposed on tariffs, being a contributing factor prompting the search for alternatives.

According to a recent Thomas poll, 83% of manufacturers are **likely, very likely or extremely likely to reshore**, up from 54% in March 2020.

So, diversifying through reshoring or alternative sourcing certainly supports the case for a more resilient supply chain. But there are other considerations.





## Digitising Supply Chain.

One such (major) consideration is relationship driven data. A big area and one that refers to a digitally elevated understanding of what's occurring both inside and outside the immediate boundaries of a complex supply chain. This represents a step change in terms of remaining functional and efficient inside a challenging moving target environment - vis-a-vis today's evolving supply chain landscape. For 30 years supply chains have overwhelmingly focused on the numbers, looking inward and down. They've been the antithesis of what may be considered collaborative operations.

The fact is that supply chain logistics will become an increasingly complex environment. Alternative sourcing, the ability to be agile and pivot, the ability to track and communicate events, **manage and optimise sustainable compliance at shop floor level**, indeed creating 360-degree actionable visibility right across the value chain; increased digitisation in supply chain will be an overwhelming enabler.

Of course, increasing digitisation will bring its own challenges, such as new cyber threats, where new minimum standards will need to be introduced. But the need to collaborate internally and crucially, externally across supply chain communities will be key. Capturing this level of crucial albeit unstructured and collaborative data will be the new imperative.

## Balancing cost efficiency with a more resilient, purposeful customer-centric supply.

Customers will increasingly look to suppliers who are overtly responsible, and who are confident and communicative about how and what they are delivering in the new norm - whatever that turns out to be; including providing global tracking, visibility on-route, and traceability awareness - from farm to fork.

The fact is, that focusing on cost and cost alone whether buyer or seller no longer gets the job done. There are other important drivers to consider in today's fast evolving socially and environmentally aware global conscience.

Sellers will be increasingly expected to wear their responsible-trading-credentials on their sleeves; to highlight and communicate detail of origin, obstacles - all milestones and touchpoints encountered throughout the journeys of merchandise and produce sold; to assure buyers that their responsibly sourced purchases will arrive both how and when stated.

Logistics will diversify. This is long overdue. Freight carriers and retailers will merge, vertically integrate or partner; and will extend or create relationships all the way to the final mile and point of sale, to us, Customers. Point in case **Maersk is no longer just a shipping company.**

Trust will be key. The seismic movement will surely create new and diverse alliances. Freight carriers will become ever more visible front of house! We'll even see advertising space on the side of containers and ships! Attractive decals, all part of the transformation of the industry and a precursor to new alliances to come.

### and finally ...

S&OP and inventory needs to get smart, way beyond the domestic sourcing argument. As new alliances emerge, it will be interesting to see how container shipping as part of an S&OP rethink will be re or dual-purposed to become more stock-inventory-in-transit. So less focus on JIT and more on lead times aligned with transit (or seabound) warehousing.

New transformational times. Watch this space.



**In as little as a decade, companies could well experience losing as much as half their annual EBITDA to global disruption**

**McKinsey & Company**





**Thank you**

**Reach out and explore**

**Get in touch**

**[www.suppeco.com](http://www.suppeco.com)**