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The 4 Pillars of Resilient Supply Chains.

Limited product visibility, uncertain demand and lack of product availability are stress-testing the global supply chain. With business-as-usual no longer an option, leaders must focus on building a resilient supply chain to ensure sustained growth.

This Market Snapshot, is part of Incisiv and Blue Yonder's effort to deliver peer-based learning and thoughtful insights on important topics that will help you navigate today and prepare for tomorrow.

Unless otherwise indicated, all data in this Market Snapshot is from this Incisiv's industry data pool.

Brave New World: There is no more “business as usual” for supply chain teams.

The current pandemic has abruptly and radically changed the way we work and live our lives. As online demand has surged in an unpredictable landscape, global supply chains have faced unprecedented pressures. Supply chain executives must adapt their operational processes for this new environment.

75%

of all organizations reported supply chain disruptions due to COVID-19 restrictions.

The pandemic has intensified the challenges faced by supply chain leaders and their teams.

Limited product visibility.

Supply chain visibility has become table stakes as the demand for new omnichannel fulfillment models such as BOPIS and curbside are being rolled out across all retail segments.

65%

of consumers would consider shopping from a different brand if their grocery store doesn't provide same-day delivery or curbside pickup.

Volatile product demand.

Retailers report 70-80% of products seeing major demand fluctuation in the current landscape. While essential categories have seen exponential growth, discretionary spending saw all time lows.

+90%

increase in online grocery sales as compared to Q1'19.

Limited product availability.

The effect of the pandemic across different regions at different times has dramatically disrupted retailers' supply chains globally. Two in three suppliers are still not functioning at full capacity.

56%

of all supply chain executives plan to find alternate and additional sourcing options in reaction to COVID-19.

This Market Snapshot includes exclusive insights and commentary from:



JoAnn Martin

VP Industry Strategy & Market Development
Blue Yonder



Chris Dieringer

Senior Director of Industry Solutions
Microsoft



Gaurav Pant

Chief Insights Officer
Incisiv

Supply chain resilience is the key to ensuring frictionless customer experiences in the current landscape of uncertainty.

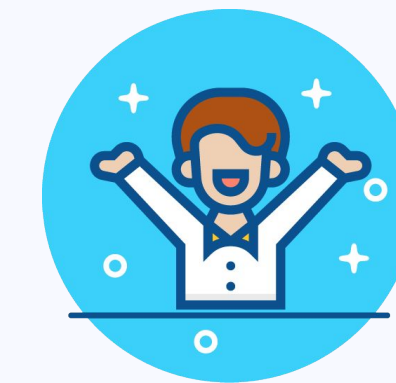
The 4 Pillars to ensure resilience of the supply chain:



React quickly

Agility

Reacting quickly to changes in demand signals or supply constraints.



Build redundancy

Localization

Understanding demand at a micro-market level and expanding local supplier networks.



Optimize resources

Sustainability

Continuing to focus on reducing waste and the environmental impact of operations (sourcing, packaging, logistics)



Show you care

Culture

Building and maintaining a safe and open work environment.

#1 Agility: Reacting quickly to changes in demand signals or supply constraints.

Retailers and brands have had to deal with unpredictable demand peaks (toilet paper) and troughs (pants), limited shipping capacity, and a new way of shopping. Those with strong fundamentals have performed better and scaled new capabilities (BOPIS, Curbside) within months or even weeks. System disruption continues, and it's unclear what the new normal will be. However, what's clear is that the agility to adapt to disruption will be a critical differentiator in the future.



Nike increased digital fulfillment capacity by 3X to manage the rising omni channel order volume.

208%

Rise in digital orders for curbside delivery in Q1'20.

67%

of CEO's say **'acting with agility is the new currency of business'**



JoAnn Martin
VP Industry Strategy & Market Development
Blue Yonder

Supply chain resilience and agility are key for businesses to drive profitability and reduce the cost to serve. Agility is the most significant driving factor from a technology perspective as brands shift towards faster deployments to drive quick results. Real-time visibility adds the ability to predict disruptions and respond proactively, which is critical for business success.



Gaurav Pant
Chief Insights Officer
Incisiv

Three years' worth of change has occurred in the last three months. Whether it is high demand, unpredictable category growth, new supply partners or multi-fulfillment channels, adding agility and resilience to the supply chain has become table stakes. Supply chain efficiency is no longer the primary metric; agility is required to adapt to change or disruption quickly.

#2 Localization: Understanding demand at a micro-market level & expanding local supply networks.

While the pandemic is global, it has shone a light on the importance of localized strategies. Not all countries, regions or markets have experienced the pandemic at the same intensity simultaneously. That has created a wide variance in consumer behavior. Supporting this variance means sharper local assortment strategies and alternate local supplier networks to build redundancy and minimize disruption.



Chipotle launched a virtual farmer's platform to help local suppliers create individualized marketplaces to sell meat, dairy and grain products directly to consumers.

56%

of supply chain leaders plan to find alternate and additional sourcing options in reaction to COVID-19.

35%

of consumers plan to buy more locally sourced items even if they cost more.



JoAnn Martin

VP Industry Strategy & Market Development
Blue Yonder

Localized assortment has become more important as retailers open back up. We continue to see a rise in online and in-store localization of inventory as many retailers try to understand the granular customer demand of different markets and align their network to support it. Retailers will not sacrifice quality for cost right now, but we will eventually see a contraction in the SKU base to drive a better balance between quantity and costs.



Chris Dieringer

Senior Director of Industry Solutions
Microsoft

I believe there is a trend of hyper personalization out there with focus on three key factors: proximity, identity and content. You need to understand the customers' digital and physical identities, be able to get out the right content, be able to identify the right customers and serve them with relevant offers and products that they need at their location.

#3 Sustainability: Continuing to focus on reducing waste and the environmental impact of operations.

While each business may define sustainability differently, the critical issues of reducing waste, optimizing logistics and limiting impact on the environment are consistent. In the short term, these issues are a lower priority. Still, sustainability practices were gaining significant traction prior to the pandemic and will again be of critical importance to consumers and businesses alike.

50%

of consumers say the pandemic has made them even more concerned about the environment.

Microsoft to Invest \$1 Billion in Carbon Reducing Technology

Dina Bass

Bookmark

Published on January 16 2020, 10:48 PM
Last Updated on January 17 2020, 9:12 AM



Gaurav Pant
Chief Insights Officer
Incisiv

At this stage, there is no going back on promises of sustainability. Retailers would be better served by doubling down on their efforts. A higher risk is associated with compromising quality for cost, as the customer's trust in terms of product safety and quality is the most important factor today.



Chris Dieringer
Senior Director of Industry Solutions
Microsoft

When I speak with customers, we talk about sustainability in terms of ways to minimize risk, increase safety, and give transparency to ethical and environmentally sourced products. This is not only important from a packaged good company perspective but also from a retailer's to provide product and human safety.

#4 Culture: Building and maintaining a safe and open work environment.

We've seen frontline associates go above and beyond their charter to deliver essential goods to consumers, even while their risk of being exposed was magnified. Fostering this kind of culture requires retailers to build policies and procedures to ensure hygiene and workplace safety, enable associates with tools to be productive, and provide ways to engage and develop camaraderie even when remote.



Instacart has launched an in-app emergency feature for workers to report any issues including injury or theft during delivery or shopping.

86%

of C-level retail executives rank employee compensation and safety as the top priority.



JoAnn Martin
VP Industry Strategy & Market Development
Blue Yonder

Growth of the gig worker economy is driving retailers to invest in engaging and retaining their workforce. Retailers are focused on providing workers options to optimize tasks and schedules. However, trying to balance people and technology skills is one of the trickiest elements to drive culture. If you can't get the right people right, then it does not matter what technology you deploy.



Chris Dieringer
Senior Director of Industry Solutions
Microsoft

The ability to mobilize work and labor tools and solutions to optimize the work environment is critical right now. While non-essential workers are furloughed, we continue to see capacity issues at essential retailers across the globe. We have been trying to bridge the gap by supporting like-minded sectors and verticals to share employees and apply technology where available.

Supply chain operations are the central nervous system of any retail organization. Retailers' challenges, such as limited inventory visibility and uncertain demand, have amplified due to the pandemic. These are the key pillars to drive your supply chain strategy in a COVID-19 world:

- **Agility:** Reacting quickly to changes in demand signals or supply constraints.
- **Localization:** Understanding demand at a micro-market level and expanding local supplier networks.
- **Sustainability:** Continuing to focus on reducing waste and the environmental impact of operations (sourcing, packaging, logistics)
- **Culture:** Building and maintaining a safe working environment with open communication.



Incisiv offers digital transformation insights to consumer industry executives navigating digital disruption.

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Blue Yonder is the world's leading, end-to-end, digital supply chain platform provider, enabling companies to better predict, optimize and fulfill customer demand. Blue Yonder empowers companies to dynamically improve business planning and execution to drive more autonomous, profitable business outcomes and reimagined customer experiences.

Learn more about Blue Yonder: blueyonder.com



Microsoft enables retailers to deliver personal, seamless, and differentiated customer experiences by empowering people, enabling digital transformation, and capturing data-based insights to drive growth.

Learn more about intelligent retail at: microsoft.com/retail