

Reinventing the Retail Supply Chain landscape

The pandemic gave a severe blow to the retailers, disrupting the traditional retail supply chain. Retailers who were gradually making a move towards omnichannel to better understand and deliver joy to their consumers, suddenly experienced growing pains like delayed fulfillment times, high fulfillment costs, and the inability to offer competitive shipping options and prices. Carrying with them the lessons and experiences learned from the pandemic, retailers are now taking a speedy path towards recovery, but is it enough to make your retail supply chain future-ready?

› Karvi Rana





The retail supply chain for decades has been on an ever-evolving journey. From commencing the journey with a single echelon approach that has inventory control isolated between each step, the retail supply chain stepped up to become a multi-echelon supply chain with optimised inventory across an entire network. Now in a recent development, the consumer product and retail landscape to catch pace with the e-tailers incorporated an omnichannel strategy throughout the supply network.

Pushing the incorporation of this strategy was the outbreak of the COVID pandemic which created havoc within the retail sector, which is of paramount importance.

AFTERSHOCKS OF THE PANDEMIC REMAINS

The pandemic caused a sudden and severe impact on international trade, investment, and global economic growth. Global trade volumes fell sharply in the first half of 2020, pulling down global economic growth. The International Monetary Fund (IMF) forecasts a decline in global growth by 4.9% in 2020. Global exports contracted by 19% in the first six months to May 2020 (see Figure 1 in next page), according to the World Trade Organisation (WTO).

According to **Alexandre Amine Soufiani, Managing Director, FM India Supply Chain Pvt Ltd**, "This indicates the significant shock faced by retailers in both supply and demand of products on an unprecedented scale. The government measures which restricted the movement of goods within and across the nations to contain the virus further affected the sector.

"The nationwide lockdown not only forced the majority of Indian retailers to shut their shops or curb operations, but also affected the sales of retail e-commerce players. The e-Commerce business was affected during the two-month lockdown period due to the restrictions imposed by the government on the selling of non-essential items and delivery-related bottlenecks to contain the spread of the pandemic," he added.

Speaking of the bottlenecks faced by the retailers and the impact of COVID, **Anil K Mishra, National Logistics Head - India and South Asia, Pladis Global** said, "Timely delivery of stocks has been impacted badly. Due to a shortage of manpower, loading and unloading become a challenge.

During Covid time, SKUs were in high demand and there were few SKUs for which demand was negligible, which impacted overall inventory management and cash flow.”

“For the supply chain, meeting the additional requirement of few SKUs was a challenge: revision in the forecast, assess demand and stocks planning – for all these aspects, lots of work was done,” he added.

As a result of these bottlenecks, many households across the nation struggled to have access to basic consumer products, retailers struggled with the supply shock along with a surge in demand especially for essentials even after the situation got better.

“Despite the government’s move to ease some curbs on restrictions, most sub-sectors of retail are likely to see production delays, store closures, reduced shipping, and freight options. The companies will not be able to meet their operational expenses due to a drop in revenue. The Indian and global retail sector are

on a downward path as consumer behaviour shifts away from non-essential consumption to essential amid restrictions and supply disruptions. An efficient and pre-emptive response to the economic consequences of COVID-19 by the government and private sector may provide the retail sector an opportunity to get back on the growth path,” says Mr Soufiani.

Taking the burns of the pandemic and confronting the fragility of the supply chain, retailers now not only reassess the future of their supply networks but also look into ways to not only meet the COVID-19 related challenges, but simultaneously address underlying structural challenges to ensure they are future proofed.

One prime step towards doing so is adopting omni-channel logistics, which is tailored for changing needs of each and every channel. Although many retailers are leaning towards the omni supply chain to make their retail supply chain future ready, they still lack in building a network and ecosystem that is future ready.

Figure 1. World exports fell by 19% from December 2019 to May 2020



“Understanding market situation and focus on SKUs which are on high demand, ensuring availability of these SKUs and assess demand and ensuring procurement of the same are critical points to consider for an agile supply chain.”

ANIL K MISHRA

National Logistics Head India and South Asia
Pladis Global



BUILDING A FUTURE READY RETAIL SUPPLY CHAIN

COVID has very well highlighted the fragile links of the much complex supply chains and forced businesses to dump the traditional methods and instead inculcate more agile, efficient, customer centered and sustainable practices within the supply chain to make it future ready.

Customer first strategy:

As you build your future retail supply chain, it is necessary to adapt to a more granular perspective of what the customer wants and needs, today and in the future. This not only helps you understand the channel of service but also gives a fair understanding of what and where to offer.

Harness customer data that is in line with their behaviour insights and make your retail supply chain flexible as per their needs. For instance, a couple of years back, consumers wanted the luxury of getting orders delivered at the doorstep which was followed by their need for transparency of their orders, and now they also want the option to be able to choose whether they want the retailers to make a home delivery or pick the pre-booked order from the nearby retail store.

A flexible and consumer-centric business model which harnesses the necessary data and gains a clear understanding of consumer expectations of present and the immediate

future can withstand the changes and keep their operations running smoothly.

Put aside the One-Size-Fits-All approach:

The one-size-fits-all approach is outdated and a waste of resources. While it was a success in the past and prevented stockouts across the mainstream products and customers, it is inadequate when applied to the modern supply chain which is much more complex and diverse.

Taking a segmented approach can enable businesses to prioritise specific services for each customer group, making operations efficient and helps avoid common mistakes.

Be Agile:

When conducting business in a competitive landscape that is volatile with constantly changing customer needs and evolving partnerships supply chains need to be quick on their feet and ensure that they are responsive, flexible, and efficient.

Companies are required to be agile in their thinking, planning, and execution according to the situation to avoid extra cost and wastage of product and time.

This means determining the fulfilment options suitable for each product and defining the required product flow.



“Recent technological advancements have changed the face of the retail supply chain. With convenience and customer experience at the forefront of logistics trends, operators of retail warehouses and distribution centres need to adapt to the evolving consumer landscape.”

ALEXANDRE AMINE SOUFIANI
 Managing Director
FM India Supply Chain

“Understanding market situation and focus on SKUs which are in high demand, ensuring availability of these SKUs and assess demand and ensuring procurement of the same are critical points. Need to control inventories to avoid dump of certain SKUs during crisis time,” says Mr. Mishra.

Collaborate:

When faced with a volatile environment such as COVID, it is more efficient and practical to utilise the existing infrastructure and resources than building and investing in a new one. During 2020, we saw the collaboration between some of the leading brands and the trend of shared warehouses, which not only helped save the cost but also split the risk. Further, it gave brands the luxury to meet their consumer's demands at such an unprecedented time keep up their promise of better customer service with faster delivery.

Sustainable Development:

The future supply chain is not just about building efficiency, resilience, and agility, but it is also about developing a sustainable supply chain. Businesses and consumers are now more aware and concern about the impact of their products on the environment, thus a future-ready supply chain needs to be green.

Mr Soufiani shares that an increasing shift towards renewable or ‘green’ energy sources (solar, wind, etc.) is propelling the development of electric

mobility and facility solutions for logistics.

He says, “Sustainability is in the heart of our DNA at FM Logistic. We are one of the few 3PL service providers in India to be associated with this initiative for sustainable development with the United Nations Global Compact Network.”

Speaking about the continuous efforts made by the 3pl providers, he shares, “We will soon launch (as a part of our sustainable development initiatives) electric vehicles for intracity transportation in metros. We are having a set plan to be deployed next month to invest locally in Electric trucks for urban distribution as a sustainable and environment-friendly solution to support our urban intra-city logistics. Efforts are being made across all warehouses to reduce the use of plastic in packaging. Also, the option of using paper-based tape instead of plastic tape for packing is being explored. And, all our upcoming MCFs will have solar panels to power electricity needs but also able to share excess solar power back to the public grid,”

TECHNOLOGICAL INNOVATION AND ADOPTION TAKES THE CAKE

Aspiring to be future-ready, the retail industry requires technological support, which can help the industry become resilient, adjust to the new normal and meet the ever-changing consumer demands.

Technological advancements have helped

change the face of the retail supply chain. “Technology helps to assess the real situation while data helps to understand the real demand and help to ignore false demand. Planning also becomes easy with the help of data,” says Mr. Mishra.

Some of the technological advancements which can be incorporated to make the supply chain future-ready are automation, IoT, blockchain, and Big data.

Internet of Things:

It has the potential to connect virtually anything to the internet and accelerate data-driven logistics. This enables the everyday objects to send, receive, process, and store information, and thus, actively participate in self-steering, event-driven logistics processes

We have implemented an IoT solution in one of our warehouses for an e-commerce client where we can track the performance of our operators and also identify the bottlenecks in our processes using the data provided by our connected scanners. We are also in the

process of implementing a digital cockpit which will enable us to monitor the behaviour of our container drivers on a real-time basis”, shares Mr. Soufiani.

Big Data:

Modern supply chains run on the concept- “Data is King” but to completely utilise the massive data and cleanse is one of the biggest challenges which often makes them handicapped and disrupts the operations.

As omnichannel becomes the new norm and retail supply chains get more complex, the data generated by the supply chains also gets complex and massive, and managing the same AI and ML will be necessary. Examining data and managing it can help achieve leaps inefficiency. Big Data and AI can help you simplify your complex and changing retail supply chain as they can rapidly process and make sense of vast amounts of data to detect patterns and opportunities for operational improvement.

Robotics:

The Logistics Industry is welcoming the first





wave of automation using collaborative robotics. Robotics solutions that are now much more affordable are entering the logistics workforce and are supporting zero-defect processes and boosting productivity.

Mr Soufiani shares that this is a prime focus area for FM Logistic globally.

He shares, "In India, we have implemented drones for inventory control at one of our warehouses and are in the process of getting this implemented across all warehouses. We have also implemented a fully automated packing line for various clients across India. Globally, FM deploys AGVs and Robots for various activities like loading, unloading, picking, palletising, etc."

Blockchain:

As retailers move to omnichannel strategies, they are required to give the consumers transparency and traceability of their products. Blockchain can help retail supply chains gain the transparency they require. By inculcating blockchain one does not only boost supply chain transparency and traceability but also maximises security, immutability and authenticity. Furthermore, it can help minimise the complexities of a supply chain and enhance operational efficiency, building a resilient supply chain for the future.

Furthermore, digital transformations like Warehouse Management Systems and Augmented Reality can also go a long way in making your evolving retail

supply chain ready for the future. While WMS grants secure and real-time access to the consumer ecosystem, AR provides new perspectives in logistics planning, process execution, and transportation by providing the right information at the right time.

Speaking on inculcating WMS and AR into its operations, Mr Soufiani shares, "FM Logistic India has implemented paperless operations with bar code scanning and GPS tracking at its warehouses. These are just the initial steps towards a long automation journey.

"Globally, FM Logistic uses AR to train its warehouse staff on handling and operating complex processes with higher levels of detail. We use the same technology to demonstrate our capabilities to our clients."

IN A NUTSHELL

The retail supply chain has been building itself and evolving with changing consumer needs and demand. In recent times, the retail industry has adapted to the omnichannel approach considering the changing consumer behaviour. While the industry was in the midst of the shift, the outbreak of the COVID pandemic brought havoc and highlighted the weakest links of the retail supply chain. This not only pushed the industry towards a quick adoption of omnichannel strategy but also forced them to reassess their entire supply chain and build a future-ready retail network that has a more segmented approach, is resilient, agile, and tech-savvy. 📧