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Retail Trade - 2021: The Case for a Resilient Supply Chain

Retail Whitepaper



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Prelude to 2020: An Impending Crisis

In late 2019, geopolitical tensions and increasing barriers to the free flow of business, people, and products were expected to be the biggest impediments to growth. The International Monetary Fund (IMF) downgraded its global economic growth forecast by 3% reporting a “synchronized slowdown” . It expected the lowest rate of growth since the global financial and banking systems crisis between mid-2007 and early 2009. The US-China ‘tariff wars’ were projected by the IMF to bring down global GDP by 0.8% in 2020. In addition, emerging economies were being pulled down by their own country-specific factors, while the advanced economies suffered from aging demographics and lower than expected productivity. While the numbers may have been close, the reasons for the global impact and the impact on small business were much different.

The resilience of global supply chains was already under stress, some might call it ‘tested’. Supply, transportation, and distribution channel infrastructures were vulnerable to disruption due to extreme weather shifts in production and distribution. The world witnessed 15 major climate-related disasters in 2019 – including the California wildfires, typhoons in Japan and Africa, and extreme flooding in the American Midwest, Northern India, and in Iran – each disrupting roads, ports, borders, factories and supply chains. Then came COVID-19.

Supply Chain Disruptions: The 'New' Normal?

A year and a half later, COVID-19 continues to hamper businesses and daily life. The unprecedented scale of the impact has been much discussed and analysed. But while the pandemic continues to be a focus, it has become clear that Retail Trade organizations and their supply chains have been completely overwhelmed as a result of both COVID and a multitude of other contributing factors.

While all of industries have felt the impact, none have borne a bigger brunt than the Retail Trade and their supply chains – including everything from Building Materials to General Merchandise from Gasoline Service Stations, Apparel and Accessory Stores, to Home Furniture, Eating and Drinking Places, their collective suppliers, supply chains, and distribution and transportation systems. Even as some parts of the world, and even countries, begin to emerge from restrictions and businesses try to resume normalcy, a new path is now obligatory. Supply chain disruption is not expected to end anytime soon. We can and should expect some level of disruption in the future, particularly if we look only to recent history or find what the IMF and others have said to be accurate. Retail Trade organizations and their supply chains need strategies and tools to accommodate the inevitability of disruption within their business models. While 2020-21 has accelerated its need for transformation like never before, it has also presented a window to learn more about vulnerabilities and capabilities, and chart a path to success.

Supply Chain
Disruption is not
Expected to End
Anytime Soon





Looking Back: The Pandemic Effect on Retail

For most Retail Trade supply chains, the pandemic was an inflection point – where the path forward begins and challenges force business leaders to reassess their business processes:



Disrupted Supplies:

Modern retail organizations run on highly complex and diversified supplier networks. Safety measures at ports, introduction of border controls, and a sharp reduction in international flights have combined to slow the global flow of goods. Many factories were closed amid health concerns and employees were sent home – such a collapse in production output had implications for producers and consumers across the value chain.



Fluctuating Demands:

The supply-side impact was compounded by sudden and largely unexpected spikes in demand with people rushing to the stores to stock up on all sorts of items. But within a matter of months, large sections of the population were under quarantine. Plummeting floor traffic meant retailers were now holding on to an abundance of inventory or no inventory at all and for extended periods.



Changing Consumer Behavior:

While retailers were trying to balance the volatility in demand with supply chain disruptions, they also had to contend with the growth of e-commerce with a large number of buyers taking the online route for the first time. Some estimates note e-commerce achieved its next decade's forecasted growth in just over six months; even when brick-and-mortar shops began restarting operations, e-commerce retained, and have perhaps increased, its share of total retail sales for ever.



Embracing Disruption, Mitigation, and Recovery

path where disruptive challenges can be met and overcome. Now accommodations have to be made in preparation for the unexpected – a place where contingency and backup planning exists, challenges can be met, and outcomes can be tested.



Retail Trade supply chains have been arriving at the new inflection point in large numbers with record re-openings just ahead of the summer selling season, this time forging a path or beginning a new

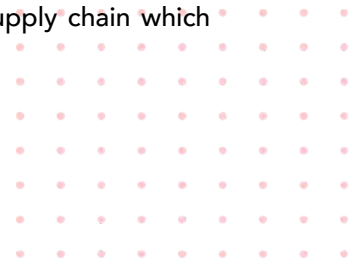
According to a recent survey by The Economist Intelligence Unit, 54% of retail leaders feel disruption, mitigation, and recovery will force them to significantly change their operating models in order to optimize sales channels and supply chain efficiency. Understanding how these organizations are mitigating disruptions through supply chain planning (SCP), supply chain design (SCD), vendor-managed inventory (VMI),

and collaborative planning, forecasting and replenishment (CPFR) will go a long way towards restructuring operations and planning for recovery.

Stage 1: **Strategy**

Minimizing Impact

Supply chains directly impacted by the COVID-19 outbreak had to focus on immediate solutions just to keep their businesses running. Many solutions matching demand to supply, managing contractual obligations with suppliers and customers, and restructuring supply lines and capacity on a war footing. Most retailers had to quickly integrate new communication channels between suppliers, customers, and the workforce to overcome supply challenges. While enhanced collaboration and cooperation helped minimize impact and strengthen relationships, many were, in hindsight, little and late. Minimizing the impact of large scale disruption needs segmentation of sourcing, production, and distribution by enabling an integrated supply chain which enhances visibility .





Stage 2: **Tactics**

Visibility to Address Lingerin Issues

Once efforts to contain the spread of the virus begun to bear fruit, organizations started modelling recovery scenarios, creating alternative supply chains and distribution strategies to ramp-up sales even with an impacted workforce. Retail Trade organizations and their supply chains need visibility into their value chain to

identify the primary suppliers that need to be supported and secondary sources that can be activated in case of supply or capacity issues with the primary sources. The path to successfully address lingerin issues as a result of the most recent disruption is to build these relationships, solidify them, and include much needed visibility to ensure these secondary and tertiary relations are strong and tested.

Consumer segments under duress are likely to change behavior, particularly when their primary source of supply has disappeared. Take a moment as a consumer and think about your own experience sourcing toilet tissue, frozen food, and personal protective equipment, not to mention cleaning products and hand sanitizers. In this scenario, products that fulfil basic needs could see a dramatic rise in demand over commodities that are unavailable, expensive, or purely optional. Retail Trade organizations and their supply chains will need a comprehensive and tested roadmap with enhanced supplier, product, and customer segmentations to maintain stability and optimally take advantage of any new opportunities as they emerge.

Stage 3: **Operations**

Building Resilience – New Ways of Working in a New Normal

Operating in the new normal means fitness – Retail Trade organizations and their supply chains need to be fit for survival and for future growth. Fitness means exercise and exercise leads to resilience, just ask any athlete. Athletes train because of their sport, their business. They train



to be resilient, to be able to deal with sudden operating risks, whether on a court or on a field or in their personal lives, and that takes determination.

Retail Trade organizations and their supply chains need to imbibe the lessons learned from Stage 1 and Stage 2 and the lessons learned with the current market and market conditions. This requires an in-depth understanding of all that went wrong during the disruption, in this case a pandemic, as well as the capabilities that helped them ride out the storm. Such long-term action planning needs to include strategies to strengthen supplier and customer relationships, internal risk management teams and processes, and Investing in the right technology and tools and testing them vigorously like an athlete in training is a good place to start. Resilience comes from exercising these relationships with the new tools – keeping the relationships strong, and the tools sharp, tested, and ready for the next disruption.



Strategic Imperatives for the Future of Retail

Modern organizations have worked on 'lean' philosophies for decades, but The Economist Intelligence Unit reports that almost 60% of their surveyed respondents are looking at changing these strategies & doing so dramatically.

Market participants are more eager than ever to maintain redundancies. Redundancies in excess capacity and supply chain resilience proved to be more beneficial in 2020 than speed and efficiency and as a result, the supply chain is no longer being viewed through the lens of being a cost center – rather, it has become a strategic asset and a capability to be invested in. Ideas around alternative factories, multi-sourcing, and buffer stock are gaining traction among Retail Trade organizations the demand for newer technologies to enhance supply chains including an omnichannel presence is greater than ever.



Exploring Alternatives through Strategic Sourcing

While a 'lean' philosophy looks at a consolidated supplier base that offers better contract terms and easier customer service, Retail Trade organizations and their supply chains must now augment this lean supplier pool with secondary and tertiary networks that can fill in when called for. Supply chain diversification can be achieved by encouraging existing suppliers to build out their frameworks as well – frameworks that allow manufacturers and suppliers to produce in multiple locations. Recent

research suggests that only 31% of organizations have been able to develop alternative supply sources for their Tier 1 suppliers. While strategic and alternative sourcing has been late to the game, it is becoming increasingly important. Even local chains that had long ago abandoned the 'private label' path for some key goods are now embracing private labels as a secondary source of supply to offset disruption from their Tier 1 suppliers and as a means to offset competitive forces in the private label market space. Strategic sourcing requires a deep understanding across the length and breadth of supply chain operations. Suppliers need to be identified, categorized, and defined in terms of their revenue impact, while also keeping track of logistical requirements, local needs, and store traffic patterns. Though it could be considered a relatively new business innovation in the context of supply chain disruption, a sound sourcing strategy enhances Tier 1 efficiencies as well as the efficiency of overall supply chain infrastructure.

Utilizing Omnichannel to Increase Consumer Touchpoints

Organizations that have delayed digitalization are now in the cross-hairs of a changed market dynamic. Digital adapters, on the other hand, have begun accelerating their transformation initiatives, calling on suppliers to ship directly to consumers. 73% of retail consumers use multiple sales channels to shop, which makes omnichannel a must-have strategy for anyone in the Retail Trade. An omnichannel retail



strategy ensures consistent customer experiences across websites, mobile apps, social media accounts, and brick-and mortar stores and enables customers to shop through all of these available touchpoints. In addition to increasing potential sales avenues, retailers with an omnichannel presence report 90% higher customer retention over those that do not. If higher customer retention is the result of an omnichannel presence and consumers naturally gravitate to the same products, then the same should hold true for Retail Trade suppliers, all things considered .



Innovating to Drive Customer Engagement

Retail Trade organizations and their supply chains have been quick to realize the value of innovation to drive sales and enhance customer engagement. They developed contactless kiosks, BOPIS (Buy Online, Pickup in Store), and any number of curbside pickup options. Some adopted lockers while others worked their way through curbside and home deliveries. All these measures extended the Retail Trade outside the brick and mortar store to allow and even encourage customers to shop at their own

convenience and in their own time while sheltering in place. Developing on its own in parallel are social selling tactics through mobile apps, websites, and social media outlets – these aim to translate the in-store, one-to one connection experience into an entirely new experience that an abundance of modern shoppers are looking for. Social selling has even been extended to augment concepts like the ‘pop-up store’, where a small collection of items are made available to customers through appointment, dramatically reducing overhead costs.

Harnessing Customer Insights to Cross-Market Products

Retailers can also leverage their existing customer base to increase sales by offering complimentary products or products that extend the usefulness of a given product. Cross-selling improves overall customer satisfaction; when coupled with B2B or B2C, it has the potential to increase Customer Lifetime Value (CLV) by integrating deeply with a customer’s business or with the consumer. Cross-marketing



initiatives are dependent on analysis of customer data, order to cash metrics, and a deep understanding of product catalogs in order to understand how much effort is needed to generate the additional sale without reducing overall profitability. Modern supply chain solutions can integrate deeply with a retailer's existing CRM system to help retrieve customer information and align a 360-degree customer view with purchasing information. These systems can run multiple simultaneous algorithms on data elements and include such variables as campaign analytics, generating real-time reporting and presenting the data visually to highlight the opportunities and the opportunity costs. Granular insight into customer needs, interests, and motivations requires intervention that only a truly connected platform can provide. Retail Trade organizations and their supply chains will want to better understand the value their products and services bring to the customer to differentiate their offerings in a highly competitive landscape.

Striking a balance between efficiency and resilience often implies an operational cost. Such costs can be offset through an integrated technology landscape that brings together network connectivity, partner communication, supplier and customer insights, alongside the omnichannel capabilities required in this modern era. The right mix of platform and technology can provide the degree of visibility and resilience that a modern supply chain requires.



A Supply Chain Solution for Resilience, Insights, and Visibility

Traditional supply chain tools can provide some visibility when supply chain disruptions occur but do not usually provide access to an alternative supply of products or routes. Today's businesses, as we have discussed, are going much deeper to understand their own vulnerabilities and are looking to significantly enhance and automate workflows. Driving alternative supply chains and innovating sales processes requires increased connectivity, communication, and visibility into every value chain resource. The right level of visibility can only be achieved with the right set of tools and a close working relationship with a committed technology partner.

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PartnerLinQ is a supply chain integration platform that delivers connectivity, provides communication with partners, and visibility with supplier and customers alike. The PartnerLinQ platform does not merely connect Retail Trade organizations to their supply chains – it provides complete visibility into capacity and constraints across first-, second- and even third-tier suppliers by looking more deeply into the supply chain. PartnerLinQ's unified platform supports EDI, real-time APIs, and proprietary file-based formats, integrating seamlessly with e-commerce platforms, digital marketplaces, and enterprise CRM, ERP, OMS, WMS and TMS systems including social channels.

PartnerLinQ's 'integration without complication' facilitates easy access to all of your supply chain partners within a single point of execution and provides management – where supply chain events, cognitive automation, contextualized data and system integration, and external supply chain network connectivity are all unified. The solution also includes enhanced analytical reporting capabilities powered by Microsoft Azure's scalable event-processing engine. Powered by an innovative, process-centric solution hosted on the cloud, modern retail organizations can now see their digital partner ecosystems like never before, achieving high levels of operational efficiency and gaining real-time visibility, perfectly positioning themselves to take on the challenges of the new normal and beyond.





www.partnerlinq.net



About PartnerLinQ

PartnerLinQ is a hybrid supply chain network integration solution that helps customers adapt to digital processes and ensures business continuity and resilience. Aligned with Visionet's unique CSP program, PartnerLinQ is designed to deliver the power of the cloud along with personalized services. We promise 'integration without complication', which helps optimize costs and ensures seamless, scalable, and intelligent digital connectivity.

Headquarters Cranbury, NJ

4 Cedarbrook Drive
Bldg. B
Cranbury, NJ 08512
United States

London

The Smith
145 London Rd, Kingston
upon Thames KT2 6SR
United Kingdom

Munich

MaximilianstraBe 13,
80539 Munchen,
Germany

Toronto

2425 Matheson Blvd.
East, 8th Fl.
Mississauga, ON
L4W 5K4
Canada

info@partnerlinq.com
www.partnerlinq.com

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