

THE VISIONAIRE

Chamber of Visionary Supply Chain Leaders
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Turning Crisis into Opportunity and Getting Future Ready – Insights from Supply Chain Leaders

It is now clear that Covid crisis is not just a blip in the world's history but will have lasting consequences for times to come.

While the world is coming to the terms with the current crisis, the leaders are focusing on turning this crisis into opportunities. The crisis

has put the supply chain at the top of the agenda of every leader.

CVSCL picked the brains of the Supply Chain Leaders, to get insights into how they are using this crisis to get ready for future, not just to survive but thrive despite disruptions of this scale.



The Supply Chain Leaders shared how they are reimagining supply chain and getting ready for future, not just to survive but to thrive in the face of disruptions that will be the new normal

Panel Speakers:

- **Ashish Pande**, Head of Supply Chain - South Asia Region at Nestlé
- **Rajnish Goel**, Regional Supply Chain Director at Reckitt Benckiser
- **Tankeswar Baishya**, Head of Supply Chain - Growth Markets at Signify
- **Saurabh Goyal**, Managing Director at Jusda India
- **Umesh Agrawal**, Director- Supply chain, Asia pacific at Avery Dennison
- **Kirat Mohan Singh**, Head of Supply Chain, India at Baxter International
- **Shampayan Gosh**, Head Supply Chain at Mother Dairy



EXCERPTS AND INSIGHTS

Q1. What has been the key learning from the experience of the existing crisis?

Business Continuity Planning:

Business continuity planning is not a “nice to have” but a “must have” to sail through any crisis. However, BCP has mostly been underrated and, subordinated to the short-term financial goals.

The companies that had a robust BCP, have been able to do much better than the others in the current crisis.

Investments in Capacities:

Times have passed when one could take pride in near 100% utilization, especially for the FMCG companies. The sudden spurt in demand and change in product mix requires far more flexibility in the manufacturing and supply.

Sourcing Decisions:

While risks associated with single sourcing have always been

known but not addressed seriously. The crisis has shown the need for regular and detailed assessment of suppliers' & service providers' capabilities.

The crisis also tested the importance of relationship with suppliers. The service providers who valued relationship, went out the way to minimize the impact of disruptions.

The companies that had better visibility into their supply chain, get cross-functional alignment, had partners who valued relationship and a robust BCP, were able to respond better to the crisis

Speed of Decision Making:

With situation changing every day, new decisions had to be made on daily basis. The speed of decisions is critical for addressing the new situations and uncertainties. The key enablers for the quick decision making are:

- Data availability and analytics capability
- Cross-functional collaboration

The companies that had better visibility of changing demand in different channels and were able to get a cross-functional alignment, could respond faster to the situations, as compared to the companies that had siloed mindset.

Speed of New Product Launches:

As the crisis threw open the opportunities for the new products, e.g. sanitizers, nutritional products, UV purifiers, the companies were able to significantly cut down the new products launch lead times. This agility in new launches could become a new normal, as things start to settle down in future.

Focus on Sales Discipline:

Companies that had month-end skew suffered a lot, due to the lockdown announcement in the last week of Mar'20. This highlighted the need for even

distribution of sales to minimize the impact of any disruption.

Inventory is not always a bad Cholesterol:

The crisis helped to silence the CFOs who were obsessed with negative working capital goal.

Strategic placement of inventory of key SKUs helps in overriding the disruptions and provides necessary time buffer to re-align the back-end supply chain activities.

Q2. Do you see a structural shift happening in the demand and supply? What challenges it throws for the supply chain?

Channel Mix:

eCommerce channel has gained because of this crisis, at the cost of modern & general trade.

Sensing the opportunity, most of the retailers are now using a combination of the brick & mortar and eCommerce channels, which will ultimately lead to Omni channel format.

Companies need to build the capability to service Omni channel, that includes re-engineering of the product portfolio, supply chain processes, IT systems and customer facing organization.

Product Mix:

In a supply constrained scenario, most companies had to take a call on the C class SKUs, to be able to use the resources for the A & B class SKUs. While this was done as a crisis management, in future the companies will have to plan for different product mix for different scenarios and build agility to make a shift, as and when needed.

Sourcing:

The low-cost sourcing will give way to sourcing strategy that has

a significant weightage of the risk management aspects, leading to onshoring and shorter supply chains.

Supply Chain Network:

The manufacturing and logistics footprint will become more flexible and agile. The large dedicated distribution centers may be replaced with shared facilities with other companies that are closer to markets, wherever feasible.

Q3. What would the new normal be, as the world comes out of this crisis over next 12-18 months?

Risk Management:

Risk assessment and mitigation will become a critical aspect of the strategic & operational planning. The cost, service trade-off will have a 3rd element i.e. risk mitigation.

A structured approach for risk assessment, involving the tier-1 & tier-2 suppliers, service providers and customers, will be required to implement an effective mitigation plan.

Connected Planning & Analytics:

The conventional once in a month planning cycle will be replaced with weekly or daily refreshment of the plans, based on the real time information of the actual demand.

It would require connected planning across the supply chain combined with the analytics capability for quicker decision making. When combined with the scenario planning, it would enable risks mitigation.

Digitization and Automation:

The current crisis has accelerated decisions in favor of digitization & automation. The investment decisions that were traditionally driven by ROI, will now have risk mitigation as the key driver.

The companies are already working aggressively to digitize customer order processing, claims processing, vendor portals etc.

The light to medium level of automation projects will be taken up, to minimize the impact of disruptions.

The initiatives to get better visibility into demand & supply events e.g. Control Tower solutions will gain pace.

Agility in New Products Development:

Leveraging new opportunities in a given situation will provide a competitive edge to the business. Companies will develop the capability of speeding up new products development from months to days.

Supply Base Management:

Companies will try to reduce the dependence on a single source. Where not feasible, the companies will need to have a deeper engagement with the suppliers, assess their capabilities and risks associated and have a back-up plan in place.

The companies will focus on having a better visibility of the suppliers' operations as well as provide them the visibility of their demand through digital connectivity.

As the plans become more dynamic, the level of interaction & coordination with the suppliers will increase significantly.

People Capability Development:

In order to realize the true benefits of reimagining supply chains, the upskilling of the people will be a critical success factor.

People will need to be trained on using digital tools as well as the functional aspects of supply chain management.

Leaders will spend lot of time in managing the change, coaching and mentoring their teams to adapt to the new normal.

Organization Structure:

The organizational boundaries will blur and structures will become more flexible.

Decentralized decision making will help the companies to respond faster to the local events.

Q4. What roles logistics service providers can play as enabler to realize the new opportunities?

Build Commensurate Capabilities:

A supply chain is as strong as the weakest link. Therefore, the logistics service providers need to develop matching capabilities in digitization, automation, risks management, people competency etc. The service providers will be expected to provide complete visibility through Control Tower and be flexible to the changing requirements of the clients. They will need to implement optimization tools to dynamically plan the shipments, loads while taking into account various constraints.

The service providers will be required to provide the API or EDI to

seamlessly integrate with the clients' IT systems.

The companies will also need to shed their obsession with L-1 and approach the LSP selection holistically and strategically.

Shared Economy:

The companies, that had a dedicated network traditionally, are opening up to the new paradigm of a shared economy.

As the demand for flexibility of logistics network increases, the logistics service providers will need to provide shared facilities, resources for a certain duration or on a long-term basis. There is

an increasing demand for the digitized micro fulfillment centers closer to the customers, to provide agility.

Developing Relationships:

The role of the logistics service providers has to be seen as more strategic than transactional. The focus should shift from beating down the prices to sustainable value creation.

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