Radial
powering bpostgroup

Supply Chain Visibility is Vital for Creating an Agile Retail Operation

Introduction

Retail success depends on agile, reliable, and resilient supply chain logistics. As the world continues to struggle with the aftermath of pandemic-induced supply chain disruptions, manufacturing shortages, and rising inflation, retailers are working to overcome supply chain challenges to meet customer expectations today while figuring out how to make their supply chains more resilient. It's a band-aid rather than long-term strategic approach—and both are necessary for retailers to stay afloat and competitive during current conditions.

What makes for a resilient retail supply chain? There are multiple factors, but at the core lies visibility. In this eBook, we examine why and how gaining supply chain visibility is necessary to become and remain an agile retail operation.

State of the Retail Supply Chain

The retail ecosystem continues to experience manufacturing and labor shortages that ripple across the supply chain.[1] Raw material shortages; shipping and port delays; manufacturing, warehouse, and delivery driver labor shortages; geopolitical factors; and high fuel and transportation costs are all contributing to scarcity of goods and, for retailers, delays in order fulfillment and delivery. Inflation and rising interest rates are tempering and slowing consumer spending. While grocery and beauty categories continue to lead in sales, shoppers are expected to trade down or stop buying more discretionary items until the economy recovers.

Inventory that was in demand in 2021 and the first half of 2022 may no longer be during peak season or into 2023. Shipping delays have caused many retailers to cancel orders or receive large orders of once highly-sought-after products months after that demand or season has passed—compelling them to sharply mark down products to avoid costly warehouse storage fees.
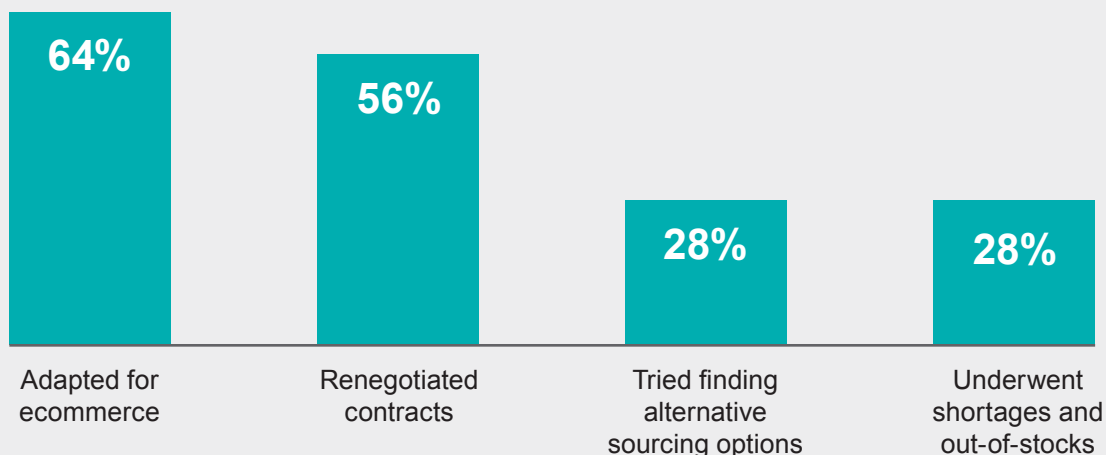
While most retailers are no longer grappling with major out-of-stocks or lack of inventory, they are still dealing with product shortages and shipping delays. Consumers have adapted to the fact that products may be out-of-stock or difficult to find, but they have also returned to pre-pandemic expectations for two-day order fulfillment and delivery on items that they are able to purchase.[2]

Overall, retailers and consumers remain in a period of uncertainty about when the economy will recover, and when supply chains will stabilize and return to reliable operations. Meanwhile, shoppers continue to expect retailers to offer great customer experiences, be fully omnichannel, and meet their needs for fast, accurate order fulfillment.

Retailers have come to understand that in a world full of uncontrollable factors, gaining as much control over their supply chain as possible is crucial to avoid a repeat of what happened in 2020 when 56% of retailers experienced at least moderate disruption.[3] This includes having to adapt for eCommerce, renegotiating contracts, finding alternate sourcing options, and undergoing shortages and out-of-stocks.

> **It's clear that supply chain resilience is imperative to be able to navigate future global disruptions.**

The Effect of COVID-19 on Supply Chain Management Globally[4]

Adapted for ecommerce	Renegotiated contracts	Tried finding alternative sourcing options	Underwent shortages and out-of-stocks
64%	56%	28%	28%

Supply Chain Resilience for Retailers

A retail supply chain is composed of multiple parts, including supplier sourcing and relationships, warehousing, inventory management, picking and packing, shipping and carrier partnerships, and reverse logistics (returns). In a broad sense, a supply chain begins with raw materials and ends with a finished product in the hands of a consumer (or returned to the retailer).

Every step along the way is connected and impacted by the other steps—thus a "chain." When one part of the chain is disrupted, it ripples across the rest of it. Retailers typically do not control every part of the chain unless they are a direct-to-consumer business. However, larger retailers can have considerable influence on their supply chains—such as large retailers that have fined suppliers a percentage of the cost of goods if shipments are late or early in an effort to gain control over inventory.[5]

The more parts of the supply chain that a retailer can exert control over, the better. However, for many, control is not entirely feasible. Instead, retailers are looking for ways to become resilient.

What is Supply Chain Resilience?

Resilience is another term for elasticity—the capacity to successfully adapt to change. Resilience is built into businesses through partners, policies, processes, and technology that include risk management, compliance, and security. In a supply chain, resilience refers to the ability of a retailer to have partners, policies, processes, and technology in place that give the retailer flexible options to continue to meet order fulfillment and delivery times when one or more parts of the chain are disrupted. For example, if one supplier cannot fulfill their orders, the retailer has multiple suppliers that can.

To become resilient, supply chains must first become interconnected ecosystems, leveraging AI, ML, and IoT to connect and track every part of the system in real time. A connected supply chain generates data that is then analyzed and used to make real-time supply chain management decisions that results in resiliency. As supply chains digitize, data has become increasingly important. In fact, data analysis is the top IT priority for 41% of supply chain professionals (with IoT and cloud computing coming in second to tie at 39%).[6] The three priorities work in sync to enable an agile, resilient, digitized supply chain.

To obtain data, however, retailers need visibility into every aspect of the supply chain.

A resilient supply chain will:

Connect and synchronize all parts of the supply chain with complete visibility.

Understand and leverage data through artificial intelligence (AI), machine learning (ML), Internet of Things (IoT), modern databases, integrated systems, intelligent automation, and data analysis.

Diversify suppliers and partners to ensure there is a network that can deliver when disruption happens in one part of the ecosystem. Resilient supply chain technologies like sensors, blockchain, and advanced analytics enable retailers to manage complex, multiple partnerships and suppliers worldwide.

Include capacity and inventory buffers that may include on-demand manufacturing, predictive demand forecasting, and virtual inventories to offset disruptive incidents.
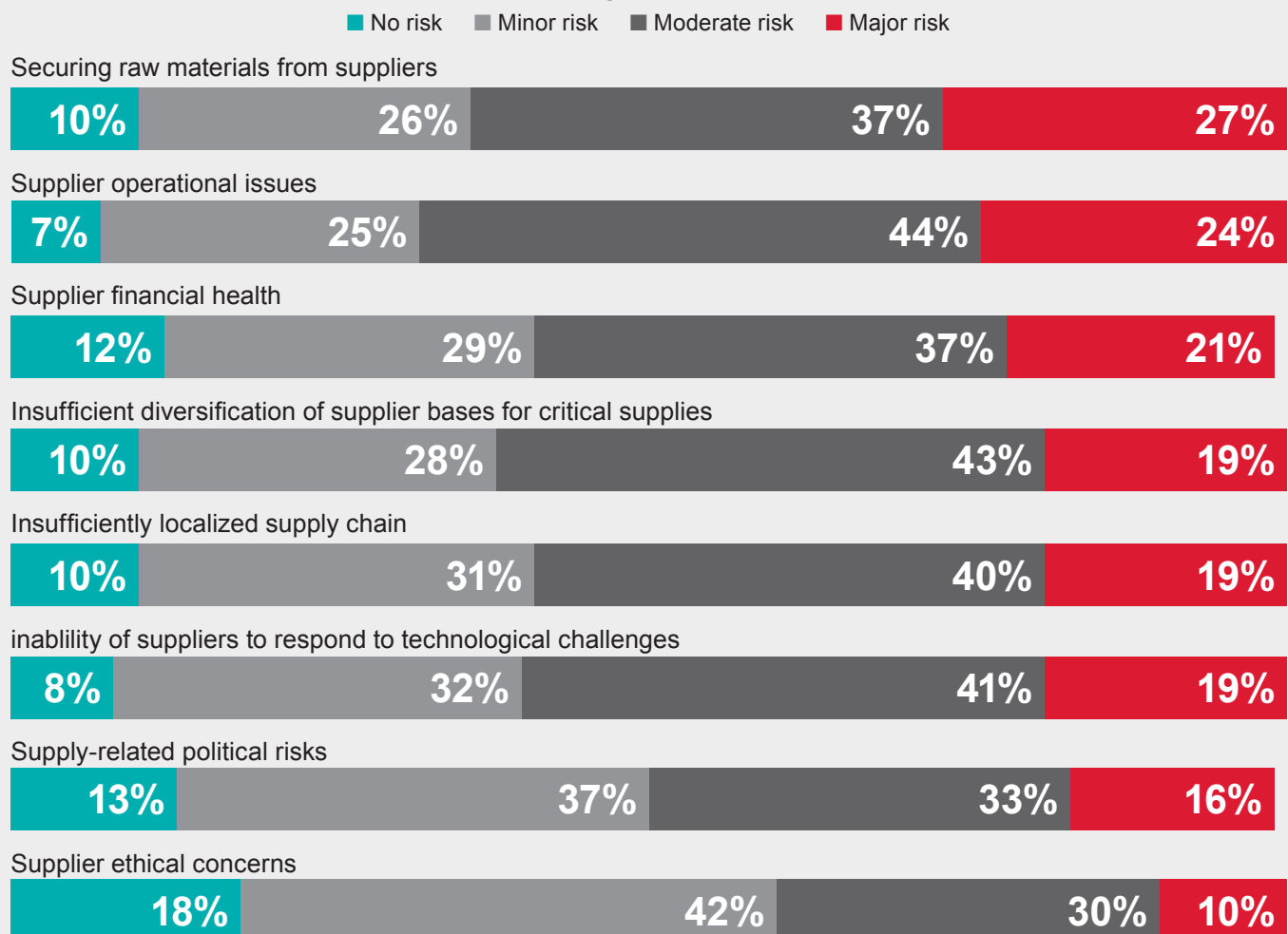
Visibility Enables Agility

A digitized supply chain is only as good as the data it makes useful for decision makers. Data must be connected and integrated across systems, infrastructure, software, and platforms. Too often, supply chain data remains siloed in disparate systems when there are multiple suppliers and carriers involved. Retailers that want to become data-centric must start with gaining visibility across the supply chain.

It is reported that 69% of companies do not have complete visibility into their supply chains while 15% only have visibility into production.[7] However, as of 2021, 40% of retail supply chain leaders indicated they are prioritizing investing in real-time supply chain visibility.[8]

The need for visibility is clear, but supply chains are still overwhelmingly focused on prioritizing increasing efficiency (63%) and managing/reducing costs (59%) over key actions that would lead to increasing responsiveness/resiliency (21%), increasing diversity, and segmenting suppliers (13%).[9] This indicates that companies are still in a defensive mode and have not yet pivoted to prioritize building resilience, even though they see moderate to major risks across the board from not doing so, as seen in the following chart from PwC.

The disconnect between what supply chain leaders are prioritizing versus the level of risk they perceive is compelling, as it indicates that retailers that do not digitize and build resilience over their supply chains continue to be vulnerable. Retailers that act sooner rather than later will be better positioned to weather further disruption and retain customer loyalty.

A Stark Disconnect in Supply Chain and Supplier Attributes[10]

■ No risk ■ Minor risk ■ Moderate risk ■ Major risk

Securing raw materials from suppliers

No risk	Minor risk	Moderate risk	Major risk
10%	26%	37%	27%

Supplier operational issues

No risk	Minor risk	Moderate risk	Major risk
7%	25%	44%	24%

Supplier financial health

No risk	Minor risk	Moderate risk	Major risk
12%	29%	37%	21%

Insufficient diversification of supplier bases for critical supplies

No risk	Minor risk	Moderate risk	Major risk
10%	28%	43%	19%

Insufficiently localized supply chain

No risk	Minor risk	Moderate risk	Major risk
10%	31%	40%	19%

inablility of suppliers to respond to technological challenges

No risk	Minor risk	Moderate risk	Major risk
8%	32%	41%	19%

Supply-related political risks

No risk	Minor risk	Moderate risk	Major risk
13%	37%	33%	16%

Supplier ethical concerns

No risk	Minor risk	Moderate risk	Major risk
18%	42%	30%	10%

The Benefits of Visibility

Retailers cannot manage what they cannot see, and while they may not be able to control all aspects of their supply chain, visibility gives them the capacity to spot issues immediately and make decisions that can head off trouble or resolve problems before they ripple across the chain or impact the customer. In addition to averting costly disruptions, this helps ensure a positive customer experience—again, meeting customers' expectations for fast, accurate fulfillment and delivery. Visibility also gives retailers the ability to let customers see the status of their order and be automatically informed when the status changes or when delays are expected.

How do retailers gain visibility into their supply chains? Through supply chain visibility technology. There are multiple types of technology that help deliver visibility, including IoT sensors, AI, ML, blockchain, big data analytics, and cloud computing. However, for data to be useful, it must be unified and combined into one platform—which is where supply chain visibility software comes in.

Supply Chain Visibility Software

Software that provides supply chain visibility can be stand-alone visibility platforms that connect to a retailer's enterprise resource planning (ERP) platform, an order management system (OMS), or built-in capabilities within an ERP or OMS that provides visibility. The purpose of supply chain visibility software is to aggregate data from all relevant sources into one platform to easily see every component of the supply chain in real time.

With so many disparate parts, how does the software connect to every part of the supply chain and the systems in use? This is accomplished through data and application integration. Solutions should come with pre-built API connectors that can be used to integrate into other applications and with pre-made connections to major ERP, OMS, logistics, carrier, and other supply chain software. Retailers should inquire with suppliers, vendors, third-party logistics (3PL) providers, and carriers to ensure that APIs are available for integration.

Once these integrations are made, the platform provides visibility into data from these other systems and compiles it into easy to interpret dashboards.

Types of Supply Chain Visibility

Depending on the type of software retailers use, various components can benefit from gaining visibility.

Suppliers and Manufacturers
Insight into suppliers and manufacturers enables retailers to see product before it is shipped to warehouses and fulfillment centers. Available stock, what's in production, and when product is shipping out help retailers manage inventory appropriately and head off any supply issues should they need to switch to an alternate supplier to meet fulfillment commitments.

Inventory
Inventory visibility enables retailers to bring all inventory data from every fulfillment channel into one dashboard—whether an order, available inventory, or third-party supplied products. With everything in one place, retailers can then better understand inventory data and make informed decisions. Retailers can see inventory that's in demand and what's being left behind so they know exactly what to order. With better inventory data, retailers can improve first time fill rate, minimize split shipments, reduce time in transit, and lower transportation costs—all of which helps build resiliency.

Order Fulfillment
Omnichannel order fulfillment involves multiple fulfillment channels—such as doorstep delivery, store fulfillment, ship-to-store, ship-from-store, dropship, etc. Visibility into order fulfillment coupled with intelligent order orchestration ensures that retailers select the most cost-effective, efficient fulfillment option to meet customer expectations. When changes need to be made, retailers can quickly see the best solution to overcome challenges to meet delivery deadlines.

Logistics and Transportation
Most retailers work with numerous shippers and carriers. With visibility into their transportation networks, retailers can track order status, address issues proactively, better allocate labor for dock duty, and manage inventory stocking/restocking more easily. Customers can also be kept informed of delivery status.

Reverse Logistics
Merchandise that is returned undergoes reverse logistics. Insight into this process ensures that returned inventory is put back on the shelf, used for store fulfillment stock, or returned to the manufacturer if defective. Tracking reverse logistics improves efficiency and minimizes the cost of returns.

Choosing a Supply Chain Visibility Solution

There are multiple solutions on the market, each with different capabilities, integration capacities, and functions. For retailers looking to simplify and streamline their tech stack, choosing a supply chain visibility solution that is integrated into their OMS can ensure that they have only one platform to work with, rather than several. Here are things to consider when evaluating a solution:

- **Integrations.** Does the solution easily integrate with APIs and pre-built connectors? Request a demo to see if integrated systems and applications work seamlessly together in the platform, or if they feel clumsy or do not feel streamlined into one pane of glass.

- **Real-time data.** Does the solution work from real-time data and, if not, what is the time delay? Real-time data is critical for making on-the-spot decisions and understanding how every part of the supply chain is impacting the whole.

- **Built for retail.** Software solutions that are built for retail will have a better user experience, offer more retail-focused features, and be designed to align with the core business needs of retailers.

- **Backed by industry expertise.** Software providers are often only technology experts. Solutions built by providers that have real-world expertise and experience within the supply chain industry will offer a more tailored and relevant solution.

- **Professional services.** The software provider should offer robust and friendly professional services for fast and easy implementation, training, and support.

Supply chain visibility is essential for building resilience and agility in the retail industry. Retailers that prioritize visibility will establish a foundation for data-based decisions and improve efficiency, lower costs, and help ensure exceptional customer experiences no matter what kind of disruptions happen.

Radial is here to help. Contact one of our supply chain, fulfillment, and transportation management experts to learn more.

References

1   Davidkhanian, Suzy. "US Ecommerce Forecast 2022," Insider Intelligence. July 26, 2022. https://www.insiderintelligence.com/content/us-ecommerce-forecast-2022

2   Ritchey, Laura. "Survey Reveals Consumers' Shopping Behaviors for the 2022 Retail Peak Season," Radial. September 21, 2022. https://www.radial.com/insights/survey-reveals-consumers-shopping-behaviors-2022-retail-peak-season

3   Chang, Jenny. "97 Supply Chain Statistics You Must Know: 2021/2022 Market Share Analysis & Data," FinancesOnline. January 14, 2022. https://financesonline.com/supply-chain-statistics/

4   ibid

5   McKevitt, Jennifer. "Walmart will fine suppliers for late, early deliveries in push for inventory control," Supply Chain Dive. July 12, 2017. https://www.supplychaindive.com/news/Walmart-supplier-fine-logistics-delivery-OTIF-risk/446948/

6   Chang, Jenny. "97 Supply Chain Statistics You Must Know: 2021/2022 Market Share Analysis & Data," FinancesOnline. January 14, 2022. https://financesonline.com/supply-chain-statistics/

7   ibid

8   ibid

9   "PwC Digital Trends in Supply Chain Survey 2022," PwC. 2022. https://www.pwc.com/us/en/services/consulting/business-transformation/digital-supply-chain-survey.html

10 ibid

About Radial

Radial, Inc., a bpost group company, is the leader in eCommerce solutions. Premier brands around the world confidently partner with Radial to deliver their brand promises, anticipate and respond to industry disruption, and compete in a rapidly evolving market. Our expansive network of fulfillment centers, flexible transportation services and advanced omnichannel technologies, help clients meet increasing consumer expectations and maintain market competitiveness. With our personal customer care services and intelligent payment and fraud solutions, brands confidently deliver high-value customer experiences required today. We are flexible, scalable, and focused on our clients' business objectives. Learn how we deliver today's retail for you at radial.com.

Radial
powering bpostgroup