Lack of real-time visibility still a supply chain pain point

massmarketretailers.com/lack-of-real-time-visibility-still-a-supply-chain-pain-point/

By Randy Fields   June 21, 2021

An old story explains a lot about how the retail supply chain does and doesn't work for both consumers and trading partners: A customer goes into a butcher shop and complains that the store down the street has lamb chops on sale for $2 less per pound.

The butcher replies, "Why don't you buy them from him?"

"He's all out," she says.

"Well, if I didn't have any lamb chops then I'd have them on sale for $2 less, too," the butcher says.

Everyone knows there are serious errors in the extended retail supply chain, leading to everything from having 22 years of inventory for a type of hot sauce in the warehouse to being out of the top-promoted item two days into a two-week campaign. What most people, even those in the industry, don't know is how much these errors cost and how much they impact customer loyalty and the retailer's share of wallet.

Global supply chain issues, such as the recently stuck container ship in the Suez Canal holding up nearly $10 billion in trade every day, are well known. But how about poor customer service management at the local level, where not getting it right leads to lost sales and frustrated shoppers? Or failing to plan for business disruptions, such as COVID, that have the potential to cause a significant supply chain risk to businesses of any size? These challenges may not cause billions in excess costs per day, but they can (and do!) result in serious hits on both a company's profitability and reputation.

Three of the most critical supply chain errors retailers routinely face, each requiring a different solution, are:

• The lack of product visibility, typically caused by old or absent technology, which leads to blind spots, creating weak links in the supply chain and unnecessary risk.

• Poor inventory control at the warehouse and store. Retailers and their suppliers have always walked a fine line between having too much product in the store and having too little. This will continue until the perfect demand forecasting engine is developed (don't hold your breath). In the meantime, optimizing both inventory and customer service levels requires accurate and up-to-date data, and comprehensive analytics that can maintain pre-set stock levels and provide a surge demand signal so orders can be adjusted quickly.

• Poor communication. The sharing of partial or no information between retailers and suppliers wastes human and financial resources and causes inefficiencies. Consistent two-way communications is a key to collaborations that deliver the right promotions for the right shoppers at the right times.

Given all the disruptions of the past year, it's impressive just how many things retailers are doing right. Although demand spikes in some categories resulted in out-of-stocks last spring, retailers reacted quickly to secure supply of essential products. Similarly, trading partners worked together to better manage the flow of nonessential items that weren't selling so retailers didn't have to mark down excess inventory.

Retailers also adjusted to the surge in online shopping by changing demand alerts to reflect the differences in fulfilling in-store, home delivery and curbside pickup orders. Retailers also increased flexibility in their logistics systems by centralizing demand and movement to ensure the reliable supply of essential products.

So, how are retailers fixing what's wrong and accentuating what's right?

The pandemic accelerated many of the supply chain trends, both good and bad, that retailers were already addressing. Adoption of advanced store automation with robotics, for instance, has accelerated by at least five years as retailers moved to fulfill online orders more efficiently. The use of artificial intelligence and machine learning to address both customer- and supplier-facing issues has also quickened. And even while dealing with some of the biggest volume increases in their histories, or perhaps because of the gains, food retailers are using workforce technology to ensure they have the right people in the right places to serve shoppers.

Companies today need to plan both for pre-existing trends and for potential disruptions that will require new tactics to assure proper inventory levels and provide alerts when the need to boost safety stocks arises. In those cases, visibility and traceability will be critical. The lack of real-time visibility remains the biggest pain point retailers face, and the issue should receive an outsized amount of technology and process investment.

The perfect end state for retailers wanting a sensible retail supply chain is matching supply with demand so customer service levels hold at 100% while waste through the system is minimized. More simply put, retailers want an economical supply chain that delivers the right products to the right places at the right times to satisfy their customers.

Randy Fields is chairman and chief executive officer of Park City Group and a cofounder of ReposiTrak.

Comments are closed.