

What Will Your Supply Chain Look Like After This Pandemic ?

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Abstract

The outbreak of COVID-19 has had profound impact on both the demand and supply side of many businesses, disrupting operations and often bringing them to a complete halt. Global economic predictions are, to say the least, discouraging. One thing, however, is certain: public health will be restored eventually and businesses will need to be ready for the demand that will follow. At TCS we believe the “3R” framework of React, Respond, and Reimagine will differentiate the supply chain leaders from the laggards when that time arrives.

React

While a global crisis demonstrates the need for companies to transform their supply chains — and much more — faster responses in the short term are needed for companies to overcome their current supply chain challenges:

1. Review the extended supply network and focus on risk that can impact the cash flow (demand) or fulfilment (supply side)
2. Establish a closer communication with strategic top customers to understand their demand and supply situation
3. Understand and activate alternate sources of supply by fast-tracking qualifications
4. Redeploy strategic inventory to prevent stockouts in case of labor disruptions or border closures
5. Enhance in-bound material visibility
6. Focus on production scheduling agility
7. Consider and evaluate alternative shipping modes (for both inbound and outbound) with trade-offs on cost, time, availability, and flexibility
8. Run simulations and global scenarios to assess the impact of risk mitigation alternatives

Respond

Businesses are feeling the pain of the supply chain disruptions caused by the COVID-19 crisis. Many economists question what the shape the recovery will be on graphs, whether V-, U- or L-shaped. However, companies prepared for a rebound will thrive post-crisis versus those who are not.

To prepare for and respond to the signs of a rebound:

- 1. Prepare for channel shifts.** Even for the long-term, there is a potential to see significant demand shift to e-commerce channels. As a result, companies should start ramping up e-commerce capacity, reexamining their channel inventory policies and “last-mile” hurdles.
- 2. Pick up weak signals.** Leaders will look for signals of both demand shifts in categories and the responses of organizations in reacting to the current crisis to see what opportunities may be found in such signals and how they can be codified and amplified.
- 3. Invest in digital supply chain and visibility tools.** Digitizing a supply chain improves the speed, accuracy and flexibility of supply and demand responses. Deploy tools that provide line-of-sight into capacity constraints of first-, second-, and third-tier suppliers.
- 4. Look at further optimizing inventory strategies and the supply chain network.** Using segmentation, identify which products may need to be built ahead for the rebound. Assess the supply chain network for flexibility in production capacity.
- 5. Evaluate and transform your procurement organization.** Companies can introduce digital procurement technology to benefit from supplier social networks. Implementing a supplier social network in sourcing and supplier life cycle management can strengthen sourcing capability and supplier collaboration in challenging circumstances

Reimagine

A crisis can also be an opportunity for organizational self-reflection, to closely examine lessons learned and see how they can be seized to transform an enterprise's effectiveness.

1. **Assess the vulnerabilities in the supply network.**
Invest in both micro and macro supply chain flexibility.
2. **Assess the vulnerabilities in the product complexities.** Make supply chain an integral part of new product design. Assess the product components' substitutability and availability when designing new products.
3. **Evaluate organizational maturity in handling major supply chain disruptions.** Look at redesigning the organizational structure from being purely functionally focused to one of function and process.
4. **Invest in more collaborative and agile planning and fulfillment capabilities.** The art of the possible in technology can help companies get a faster and better sense of demand and supply signals. Analytics and increased supply chain visibility are central to a supply chain transformation blueprint.

COVID-19 has created havoc for many companies, to say nothing of the personal costs globally. As business leaders, however, we have a responsibility to look ahead and make decisions about the landscape its aftermath will present. Organizations with forward-thinking leadership that can reflect, digest, respond and transform their organizations will be far better equipped to handle such exigent crises and also respond when the economy eventually rebounds.

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