

Five strategies for beating supply chain volatility

What supply chain leaders are doing to keep their businesses moving



The past 12 months have been... *different*

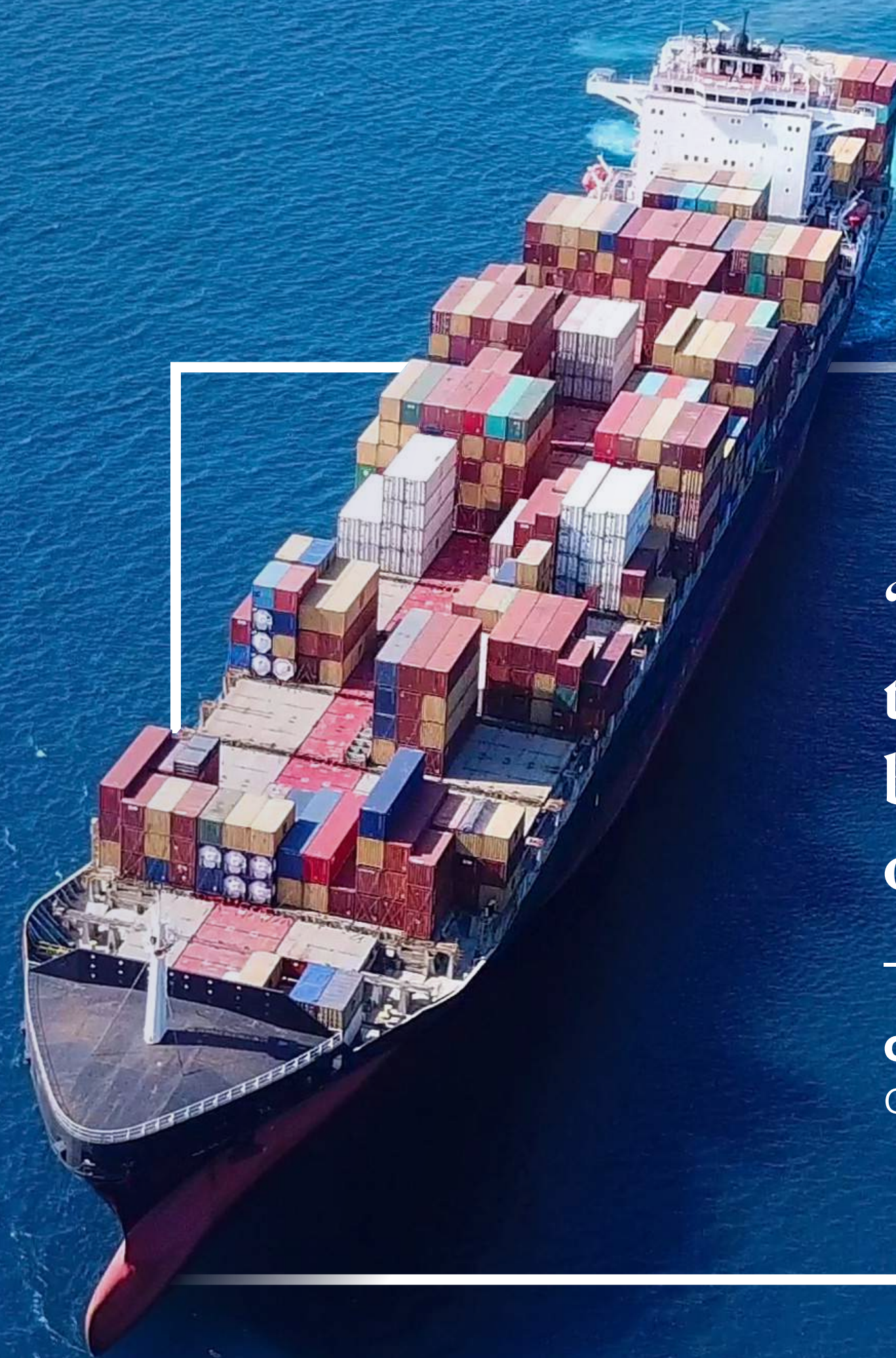
From global pandemic and economic shutdown, to soaring demand, the last year has been a rollercoaster for businesses.

Now, demand for goods sits at an all-time high, causing bottlenecks, congestion and sky-high ocean freight rates.

To the frustration of their end consumers, businesses are seeing lead times stretch and products stocking out - while paying handsomely for the privilege.

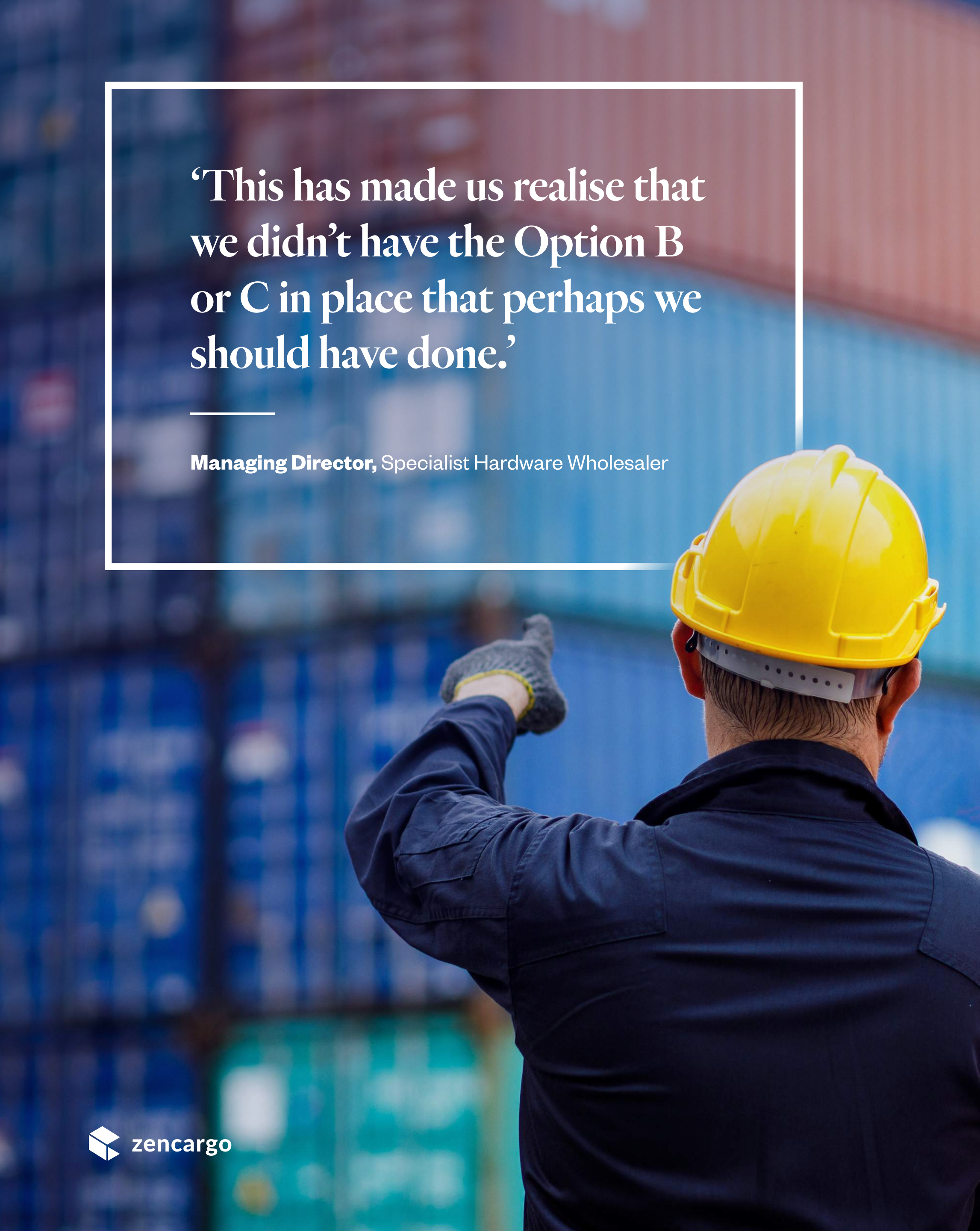
The period following Chinese New Year, often seen as a reset button for rates and demand, hasn't played that role this year: fewer blank sailings, fewer factories closing, and of course, the continued backdrop of the COVID-19 pandemic.

And with carriers warning that the current situation may not resolve for months, either for high rates or for container shortages, shippers need to respond faster and more creatively than ever - now.



**‘I can’t remember a
time like this - and I’ve
been doing this for
over 25 years.’**

Operations Director,
Global Apparel Retailer



‘This has made us realise that we didn’t have the Option B or C in place that perhaps we should have done.’

Managing Director, Specialist Hardware Wholesaler

Supply chain is at the front line of businesses’ response

This February, we spoke with 25 supply chain leaders* to discuss how different businesses have been managing their risk, plus their challenges and priorities for the coming months.

For many, this period of intense volatility has also become an opportunity to re-evaluate their supply chain overall, tightening up inefficiencies that have presented themselves with fresh urgency.

Whether it’s reconsidering their product mix, working more closely with demand to prioritise important items, or adjusting lead time estimates, all participants were responding to the current volatility with innovative, wide-ranging solutions, and thinking ahead to how they can lay stronger foundations for the future.

Here are the top problems these supply chain leaders are seeing - and the strategies they’re exploring to beat them.

* Names, companies and other identifiable details have been anonymised to protect privacy.

Uncertainty & Unpredictability

High-Quality Visibility

This difficult situation is made even more difficult by the fact that many supply chains are operating in relative darkness. Between placing an order and it arriving at the destination warehouse, there's a big gap in visibility.

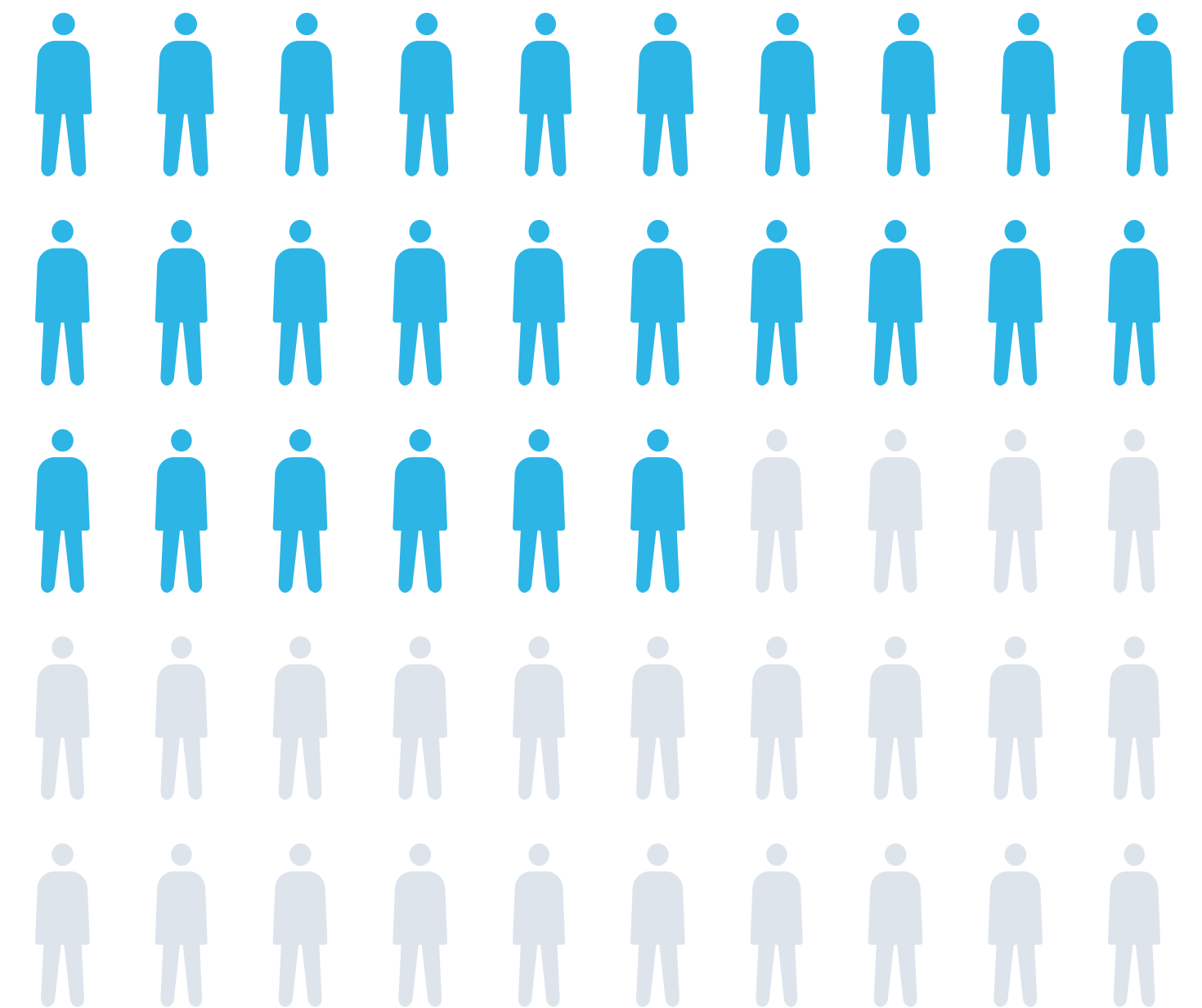
While in more predictable circumstances, this may not be as much of an issue, market volatility combined with the steep rise in rates has resulted in a corresponding change of expectations.

What's more, when faced with hard decisions, better visibility provides the data to know that you're moving in the best possible direction. Many of the participants knew that better visibility would be a game-changer for them.

‘It’s shone a light on the lack of visibility we have in our supply chain. *If I’m paying \$12,000 to move a box, I expect to know exactly where it is.*

Head of Inbound Logistics, Home Improvement Retailer

Over half (56%) said ‘improving overall data quality for more informed decisions’ was the one approach that would make the most impact on their business.



Drawn

Out Lead Times

High-Quality Visibility

High rates are far from the only problem for shippers right now; tight capacity constraints with carriers has resulted in large quantities of cargo being rolled, and even for containers that did make it onto a ship, on time delivery was far from guaranteed. Global schedule reliability dropped to a record low of 34.9% in January, meaning only 1 in 3 ships were arriving as planned.

Reliability dropped to
a record low of

34.9%

All this has a damaging effect on lead times - both their final length, and the accuracy of predicting them.

This all means that internal collaboration was becoming even more important for our participants than usual: both to decide workable solutions when deliveries are lagging, and to act fast in the face of sudden change.

We're seeing our lead times up over 50%. This means we can't give visibility and certainty to our retail colleagues. As a business, we're looking to be more collaborative to design solutions that help us all. This isn't temporary, either; it's permanent.

Head of Inbound Logistics, Multi-Brand Online Retailer

Unreliable Service Levels

Prioritising More Important SKUs

Purchase Orders

List **Table**

Filter by

- Unbooked POs CRD in the past **1**
- Unbooked POs CRD in the next 2 weeks **3**
- CRD updated in the last 3 days **2**

13 orders found

PO number	Stage	Shipment(s)	Manufacturer
PO_1240	Arrived Port 1/1 lot	ZDJF-19	Supplier_05
PO_1305	Arrived Port 2/2 lots	ZDJF-25	Supplier_07
PO_1244	Arrived Port 1/1 lot	ZDJF-7	Supplier_02
PO_1241	In Transit 1/1 lot	ZDJF-20	Supplier_04

For businesses where reliable service is non-negotiable, the current volatility has added insult to financial injury.

Even where businesses are working to protect their service level through extra inventory, a sudden jump in orders may be beyond the abilities of their suppliers.

Where maintaining adequate service wasn't possible for all of their product catalogue, some participants were analysing existing POs and prioritising the most in-demand SKUs, to help to reduce the risk of disappointing consumers.

We're adding buffer stock to counter delays, but that has an upstream effect on our factories' capacity and ability to service us at the same level as usual. To ensure that we can still deliver the same service, we're having to be really selective on the stock that we prioritise.

Managing Director, Specialist Hardware Wholesaler

With at-a-glance PO management, you can make more informed decisions.

Damaged Profit

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Re-evaluating Product Mix & Sourcing Strategy

For some companies, freight rates have exploded to such an extent that products that were previously profitable are no longer viable.

And since this may be the beginning of a structural upcycle in favour of the carriers, rates may end up permanently increased, affecting overall profitability beyond this current environment.

This has prompted some participants to revisit the basics of their supply chain - reviewing suppliers, sourcing, and even available products to safeguard their business's bottom line.

We're seeing a huge difference in profitability across our categories, so we've evaluated our proposition to the consumer, as well as our raw materials sourcing. At the end of the day, we're trying to ensure we have the right things, in the right places, at the right times, for the right cost.

Sourcing Director, Multi-Brand Online Retailer

We're evaluating our sourcing landscape and looking at our supplier mix. Consumers are obviously driving the bus and right now, they are buying our lower-margin products. For us, it makes sense to start looking to source closer to home, and we think this could be the new normal.

Head of Buying, Fashion and Apparel Retailer

Lack of Day-to-Day Control

Pursuing End-to-End Improvement

For many participants, the current environment left them feeling trapped between a rock and a hard place.

Either they ship at high rates to make sure they can get product where it needs to be, or they try to run out their buffer stocks, waiting for rates to dip. And as noted before, even paying to ship didn't guarantee on-time arrival of goods.

To drive improvement in a market beyond their control, many participants were choosing to focus on where they can make a difference instead, and broadening their outlook to what might drive that difference.

For them, these changes aren't just delivering short-term relief; cumulatively, they translate to long-term improvement of the business's overall supply chain health and performance.



Strategies like improving container utilisation can mitigate spikes in freight rates.

We're past the frustration stage - we can't control our inbound supply, but we can control our planning. We're renegotiating our POs and introducing better flexibility into our carrier options - whether that's air, deferrals, or just altering the mix. We seem to be winning doing that.

Inbound Logistics Manager, Multi-Brand Lifestyle Retailer

We're Here to Help

Zencargo combines a proactive freight forwarding service with a powerful technology platform, giving you the tools to address issues and build capabilities in your supply chain.

1.

Get end-to-end, SKU-level visibility over your inbound supply chain

From when you place your order, to when it arrives at your destination warehouse, you know exactly which SKUs are where.

2.

Counter market uncertainty with supply chain agility

Connecting all stakeholders on the platform, plus automatic exception management, means you know when you need to respond - and can do it quickly.

3.

Evolve your supply chain with our platform as a foundation

With a bedrock of high-quality, granular data that integrates directly with your ERP, you can explore intelligent new solutions, like prioritising POs based on demand.

Book Your Consultation

We believe your supply chain should be your business's competitive advantage. And the past few months have underscored the importance of a healthy supply chain for a company's overall success.

To explore how Zencargo could help your organisation, or to hear how we've helped other customers, book a short consultation now.

[BOOK NOW](#)

"Working with Zencargo has directly increased our product margin. Their insightful advice has helped us continuously optimise and execute cost savings across our network."

Dominic Moulding, Logistics Manager, Swoon

 SWOON
EDITIONS





**Making your supply chain
your competitive advantage**

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