

What's not going to change?

1

Customers will continue to want low prices.

2

Pressure on firms to operate efficiently.

For companies, the challenge will be to make their supply chains more resilient without weakening their competitiveness.

Identity Vulnerabilities

Risk of sourcing. Some metrics can be used :

- Potential impact on revenue if a certain source is lost.
- The time taken by a supplier to recover from certain disruption.
- The availability of alternate suppliers.
- How long can the company operate with a supply shock?
- How long an entity would take to recover.

Process Innovations

New distribution strategies can be adopted that can increase flexibility and reduce inventory cost.

One example is postponement, i.e. holding "base" product until the real demand arises, and the base product is less expensive to handle and store.

Diversification of Supplier Base

It is obvious to have a broader supplier base to mitigate risks, or even developing local suppliers.

Such a process can be time consuming and expensive. An alternative to is to develop suppliers in parallel but allocating most supplies to the most cost effective ones.

Holding Intermediate or Safety Stock

Developing new supplier is a time-consuming process.

Companies must evaluate how much extra stock should they keep to tackle a supply shock. A more efficient way to hold stock is in form that costs the least.

What to avoid

Re-considering assortment planning and product offering.

More variety of products can lead to complex operation of the supply chain which can be detrimental during a disruption in addition to higher inventory cost.