



Thinking Value Chains Post-COVID, now what?

May 2021, by Victoria Cobos

The main 4 interests from consumers after the pandemic: Affordability, quality, sustainability and availability, have all been accelerated by the conditions of lockdowns across the globe; how do businesses adapt to serve these requirements without increasing cost?

The trends during the pandemic have put pressure on the balance between efficiency and agility in supply chains and have elevated the term operational resilience to buzzword status; the decisions in the short term are tainted with a now familiar scent of uncertainty, here are a few of the macro choices ahead:

- *Centralization vs decentralization*, the global nature of most operations showed its pros and cons during the pandemic: cons, business continuity is vulnerable, when dependency lies in single sector or geographic area and these are impacted; pros, investment and efforts can be focused into effective solutions and technology. Heavy capital investments are difficult to support given the long paybacks, instead diversification plans that provide alternative supply sources and applying design for manufacturing principles in innovations, and using portfolio simplification to balance the exposure to heavy sunk costs and long-term commitments. General bias goes to responsiveness so to centralize specialized activities (e.g. manufacturing, design) and decentralize as much as possible non-core undertakings (e.g. sourcing, fulfilment).
- *Personalization vs affordability*, is true there is a cost to quality, and all macroeconomics forecasts indicate we are heading to a recession, still with many post-pandemic effects to be fully understood. Over the last few years, the trend to personalization and tackling white spaces has been seen as a key growth strategy for many brands usually at a higher cost, especially with digitalization and omnichannel consumption playing a stronger role; having a clear approach that cuts non-value added features and simplify product design can lead to both consumer satisfaction and keeping incremental cost at bay; some examples of these: late differentiation, merging digital consumer journeys with product trial, product rationalization and focusing on shelf availability.
- *Proactivity vs reactivity*, visibility of the supply chain is costly and highly dependent on integrating technology between multiple parties as well as the willingness to collaborate, as even in local to local operations there are multiple suppliers and

retailers in any wholesaler network; those who have end to end visibility can anticipate gaps and tackle those proactively, this capability became critical during the pandemic, allowing to provide alternatives to service, take action to build resilience and communicate clearly to customers; for those players without the ability to locate their materials and finished goods in real time it was an uphill battle to support business continuity and manage customers expectations. Visibility is no longer a “nice to have”, those without the capability to anticipate issues will be hurt due to unreliability and miss on key opportunities, investments to build the agility and the technology to be proactive should be a priority just to stay in the game.

- *True sustainability vs green washing*, there is no player out there without an ESG program, at least in paper, however 2020 changed the game, with consumers becoming increasingly more aware of covering the intense environmental impact of most consumer goods, explored significantly more through online alternatives and built acute understanding of sustainability, the COVID crisis created a sense of shared consciousness for the planet and one another, meeting regulatory targets is not enough, and brands that focus on building a holistic product offering and share transparently their purpose and making provenance traceability accessible to consumer and beyond internal reporting (e.g. smart labels, industry certifications, GS1, Blockchain).

For existing supply chains, the road to sustainability has been long, and in my humble opinion fairly slow, why? It takes time and money to transform a linear infrastructure into a circular economy, this can only be accomplished by design, so startups and new commers in fact have an upper hand in building stronger value chains that connect the product footprint with lean and green principles, end to end visibility and connectivity for operations vs only first tier suppliers. Key factors to consider for real impact go beyond CO2 emissions and water consumption, but really to focus on minimizing waste, eradicate single use plastic, showcase nutriscores in food products, and manage perishables disposal transparently.

The Supply chain of the future needs to favor agility, a brutal approach to simplification, treat End to End collaboration as a non-negotiable and above all to be more consumer focus than ever, so that any incremental cost goes to value-added features; the new normal (whatever that means) is now, so there is no gain in delaying investments for connectivity or strong operational capability in our people, where the understanding for supply efficiency will be a key competitive advantage in the post COVID world.