



# How to Optimize Your Supply Chain for Flexibility

The past few years have brought unprecedented supply chain disruptions that have profoundly affected manufacturers, retailers and consumers alike. Trying to fix these issues can sometimes seem like the world's hardest game of Whac-A-Mole because the list of causes that have contributed to notable recent shortages have been so incredibly diverse.

## Many Out-of-Stocks, Many Causes

The last few years have also exposed larger systemic vulnerabilities to the global supply chain. We've seen demand shifts, labor shortages, lockdowns, port congestion, increased fuel costs, and other issues keep products from getting to shelf with the reliability and affordability that we all once took for granted.

While [stress on global supply chains dipped in July](#) to the lowest level since January 2021, one [July 2022 survey](#) found that 58% of CPG business leaders still consider supply chain disruptions to be their No. 1 concern moving forward.

To address these vulnerabilities, many companies are seeking to diversify their supply chains for greater resiliency. But these efforts are not without their own risks – such as creating more individual links in the chain that can break, possible exposure to new ethical and sustainable sourcing issues, and the potential for higher costs.

Interest in new hobbies



Facility fires



Drought



Raw material shortages



Lockdowns/panic buying



Temporary plant shutdowns



Product recalls



New at-home behaviors



Farmer shifts to more profitable crops



Retailers forfeit as much as **\$1T/year** in lost sales due to stock outs<sup>1</sup>

Poor supply chain performance is **over 2x** more likely to drive customers away than a price increase<sup>2</sup>

If the shelf is empty **33% of shoppers** will not make a purchase<sup>3</sup>

On average, annual inventory carrying costs reflect **10% - 30%** of working capital<sup>4</sup>

<sup>1</sup>2022. The ROI of Supply Chain Management. Forrester.

<sup>2</sup>2021. Supply Chain's Customer Expectation Survey. Gartner.

<sup>3</sup>2022. What Supply Chain Improvements Have the Greatest Impact of Improving Customer Satisfaction. Gartner.

<sup>4</sup>2022. Operationalize Inventory Reduction Targets with Integrated Supply Plan Proposals. Gartner.

## The Sure-Fire Way to Improve Your Supply Chain Now

There is, however, one risk-free approach that offers guaranteed results in any scenario: focusing on optimizing the last mile of your supply chain for the ultimate in efficiency and agility. Relying on traditional forecasting methods is no longer sufficient to keep pace with fast-changing consumer behavior. We've seen this firsthand in the past few months as shoppers have quickly responded to inflation by reducing discretionary purchases, shifting to value channels, opting for fewer premium products, buying more private label ones and hunting for bargains.

If you're not proactively monitoring your inventory, service levels, on-shelf availability and out-of-stocks you will fall behind.

Using the right tools, you can do this quickly and easily to better track how products are moving to the shelf, better understand why customers are buying them, and stay a step ahead of both product availability and excess inventory issues.

**No matter what's going on upstream, committing to smarter tactical management of the end of your supply chain can help you:**

✓ **Find inventory problems** and recover the 5 to 8% of sales that would otherwise be lost to out-of-stocks.

✓ **Fix inventory problems** and grow sales 2 to 3% every year by addressing on-shelf availability issues.

✓ **Avoid shelf disruptions** that impact nearly 50% of shoppers who won't purchase your product because it's not there.

## Four Key Steps to Optimizing the Last Mile of the Logistical Supply Chain

In this environment, every supply chain disruption is also an opportunity to gain market share over your empty-shelved competitors who aren't managing the last mile of their supply chain effectively. Brands and retailers can do this if they:

### 01 Balance ongoing inventory

It's no simple task, but successful companies have a constant pulse on inventory movement down to the store/item/day level, evaluating OSA trends, store inventory positions, waste and damages, etc., to better inform decision-making for operational planning, service level management and overall inventory position.

### 02 Maximize on-shelf availability

Solving out-of-stocks alone creates its own challenges but combining the tactical in-store actions with a strategic plan to uncover the underlying drivers of OSA enables retailers and CPGs to identify systemic issues, prevent OOS, retain shelf space and maintain customer loyalty.

### 03 Optimize store operations labor

Resources are stretched thin, so it's time to work smarter, not harder. Implement a solution that creates labor efficiencies and prioritizes high-opportunity shelf actions for every store, every day, driving consistent ROI for your organization.

### 04 Maximize event effectiveness

Running successful promos, NPIs or seasonal events has never been easy. However, most find more success when combining historical event insights with inventory management before, during and after the event to maximize ROI. This enables stakeholders to boost forecast accuracy, identify OOS issues and underperforming stores and improve service levels.

Day-to-day supply chain excellence helps you prevent and evaluate inventory problems, plan and monitor for maximal on-shelf availability, optimize and improve your operations at the store level, and predict and correct for out-of-stock issues before they happen.

In this uncertain environment, no one can truly predict the future. But every brand and every retailer can choose to either create a flexible approach to inventory management to roll with the punches or maintain the status quo and get caught flat-footed every time. Those who choose an adaptable, agile approach will be rewarded with happier customers and market-share gains – no matter what supply chain disruption hits us next.

Let us show you how RSi an IRI Company can help turn inventory challenges into opportunities.