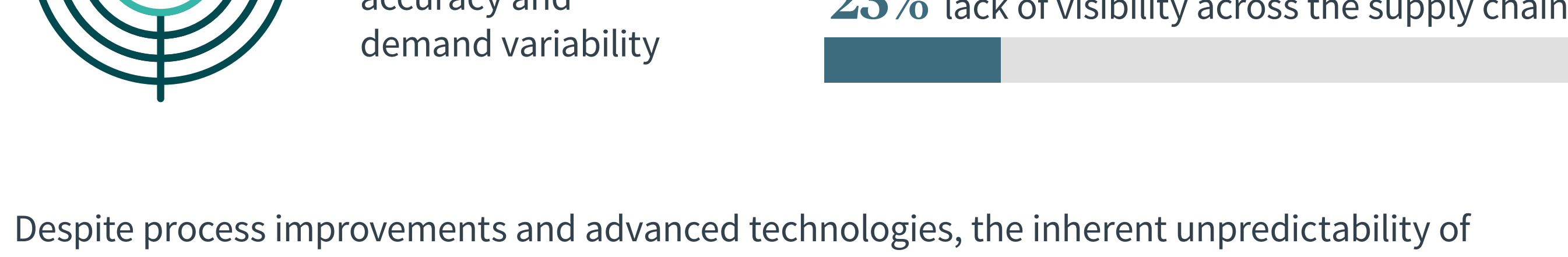# ▲ ALLOY

Beware the gap

Supply chain firefighting may be an accepted fact, but how has it changed in recent years? Below we examine trends in contributing factors, how companies respond when reality deviates from plans and what's holding them back.

Download the infographic

Demand Volatility

Many companies consider forecast accuracy and demand variability a top obstacle to achieving their supply chain goals and objectives. In fact, it's the most common obstacle by a good margin[1]:

38% highlighted forecast accuracy and demand variability

25% lack of cross-functional collaboration

23% lack of visibility across the supply chain

Despite process improvements and advanced technologies, the inherent unpredictability of consumers means planning and forecasting has only gotten harder:

65% of companies rated their S&OP process as effective compared to three years ago[2]

Only 35% feel it is effective compared to their peers[2]

27% forecast error at the SKU-level with one month lag is average for all companies, whether or not they have a formal S&OP process[3]

Customer Requirements

Growing customer expectations, like OTIF requirements, also keep supply chain teams firefighting:

86% are challenged by rising customer service expectations[4]

83% rate customer demands for faster response times as challenging[4]

From 2016 to 2019, one large retailer shortened its delivery window by more than **75%**

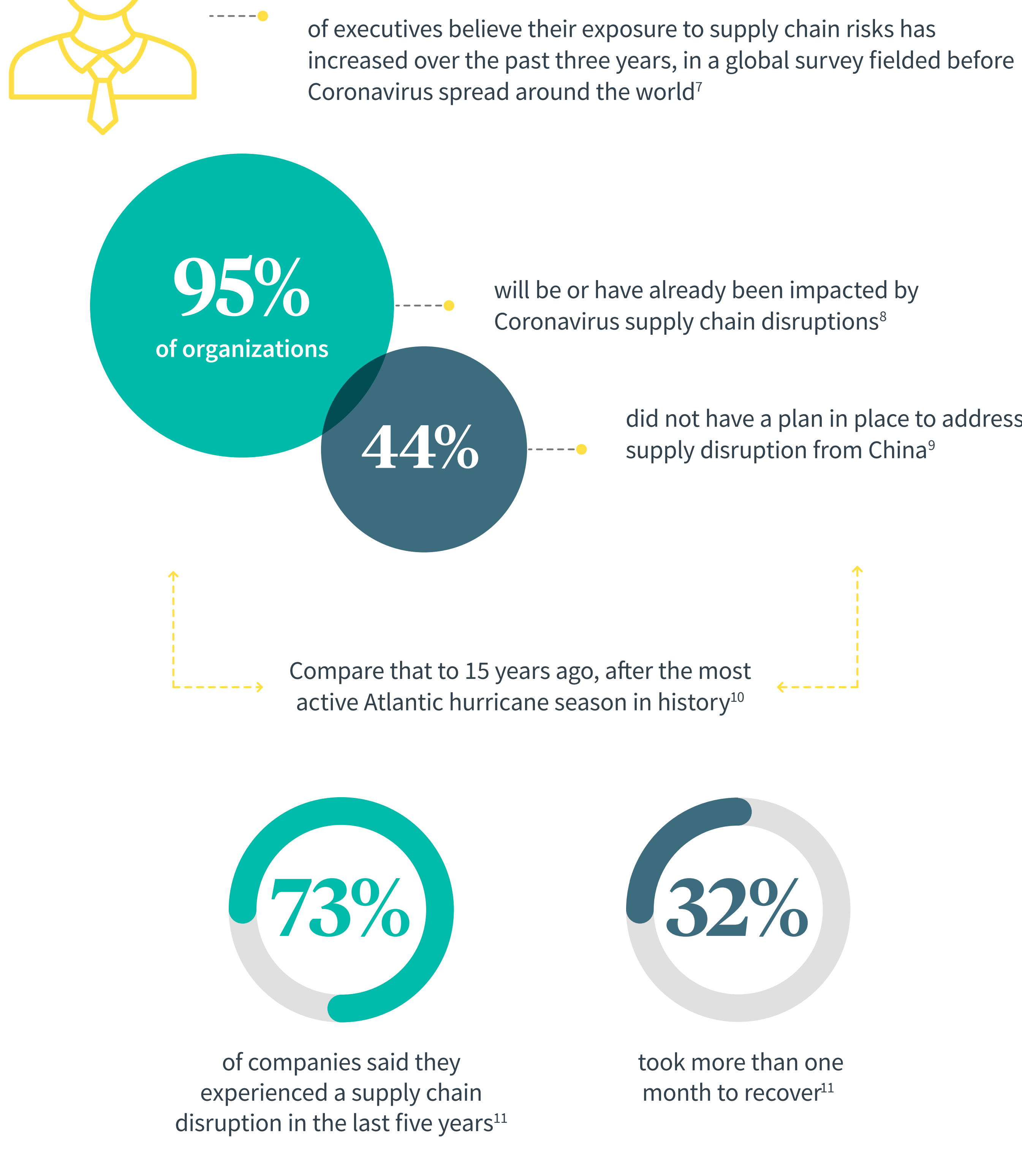**90%+** reduction in delivery window depending on product type at another retailer[5]

While 90% of retailers provide some forecasts to their largest trading partners[6], there is still plenty of room for surprises between that and the final order:

Nearly three-quarters do not have any agreement regarding accepted deviation between a forecast and an order

Fewer than 25% of suppliers say orders often match the forecast

Over 90% of retailers make changes to their orders at least sometimes[6]

Supply Disruptions

Events that disrupt a company's ability to source, make or deliver products are increasing in frequency too:

40% of executives believe their exposure to supply chain risks has increased over the past three years, in a global survey fielded before Coronavirus spread around the world[7]

95% of organizations will be or have already been impacted by Coronavirus supply chain disruptions[8]

44% did not have a plan in place to address supply disruption from China[9]

Compare that to 15 years ago, after the most active Atlantic hurricane season in history[10]

73% of companies said they experienced a supply chain disruption in the last five years[11]
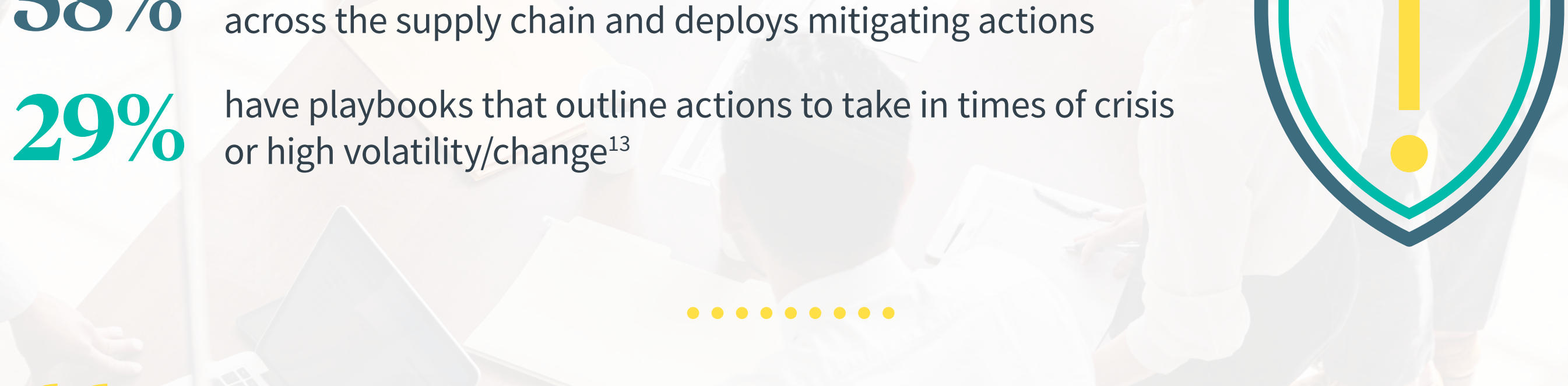
32% took more than one month to recover[11]

In Response

Pull people away from their "normal" jobs, put them in a room (real or virtual) and ask them to focus on solving a sudden priority. Sound familiar?

68% of companies have a committee or working group to respond to the COVID-19 pandemic[12]

92% of leaders say supply chain visibility is important to success[1]

Only 27% have full visibility, leading to frequent ad hoc analysis[1]

Some companies have worked to formalize their response and prepare for risks:

58% have a risk management organization that monitors risks across the supply chain and deploys mitigating actions

29% have playbooks that outline actions to take in times of crisis or high volatility/change[13]

> However, "if we're going to be able to prepare for these types of events in future, we have to identify appropriate sources of information that we should focus on all the time— not just when [crisis] manifests."
>
> – Randy Bradley, Associate Professor of Supply Chain Management at the University of Tennessee[14]

The Overlooked Gap

To move on from firefighting, supply chains need to constantly monitor variable consumer demand, changing customer expectations and supply disruptions and respond as soon as the deviation from plans is great enough to warrant action—given current conditions and requirements like Weeks of Supply targets.

But which team is responsible for that? Who has the visibility and oversight, not to mention the time, to do so? Cross-functional working groups fill this role in times of crisis, while all the "everyday" deviations across the supply chain get lost in the gap between planning and execution.

More often, planning and execution teams focus on their own priorities, metrics, data and more, while the insights from bringing the two together remain hidden.

Processes like S&OP bring them together regularly, but only to plan the future, not respond to the now, and without the benefit of shared systems.

Only 4% of companies have synchronised closed-loop planning connected to execution, including the ability to adjust plans as needed based on actual orders or changes in production and shipments[15]

To learn more, please visit www.alloy.ai/supplychain

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[4]IBM, "Embracing the digital mindset," 2020.
[5]McKinsey, "Defining 'on time, in full' in the consumer sector," 2019 Jun 13.
[6]Retail Value Chain Federation, "On-Time & In-Full impact survey review," 2020 May 7.
[7]Oxford Economics, "Surviving and Thriving: How supply chain leaders minimize risk and maximize opportunities," 2020.
[8]Institute for Supply Management, "COVID-19 global supply chain disruptions continue," 2020 Apr 14.
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[15]PwC, "Connected and autonomous supply chain ecosystems 2025," 2020.

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