Alloy

The "New Normal" Means There is No Normal

Based on our experience supporting our customers' responses to COVID-19, we are sharing some tactical best practices that consumer goods supply chains can implement as the situation evolves.

Our recommendations are rooted in four key beliefs:

1. COVID-19 will continue to wreak havoc on global supply chains for an uncertain period of time, and the eventual "normal" is unknown, so supply chain teams need to increase preparedness to respond to a wide variety of scenarios.
2. Demand is changing and shifting in the short, medium, and long term.
3. Retailers are struggling to stay on top of rapidly shifting demand, so relying on customer orders as your demand signal for execution and planning during this crisis will not provide the responsiveness your supply chain now requires.
4. Consumer goods companies need a better way to utilize already-available granular retailer data to inform execution and planning during this crisis.

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Anchor Around What You Can Control: A Demand-Driven Response

Given the uncertainty of how long COVID-19 will last, we recommend all supply chain teams implement a response plan that spans from today to 12-18 months from now, focusing on a few key priorities in each time horizon.

NOW
Demand Visibility

Aggregate existing point-of-sale (POS) data: Use retailer portals & EDI feeds to aggregate existing demand data at the most granular, most frequent level available.

Assess your demand by product/category: Using POS data, determine where demand is increasing, decreasing or redistributing using a diagnostic framework. *(See Demand Diagnostic Framework)*

De-average demand by channel and retailer: To understand a change or shift in your demand, you need to to drill down to the channel, partner and product category level to know if demand is actually increasing/decreasing or if it's shifting from one place to another. Once you have de-averaged the demand signal, you can have confidence in the action you then take. *(See Demand Diagnostic Framework)*

SHORT TERM
End-to-End Visibility

Centralize inventory tracking: Balance your inventory positions, including those sitting with retail partners, to effectively align to where demand is coming from.

Project inventory based on downstream demand: Use "forward days-on-hand" to measure remaining supply, calculating based on unconstrained consumer demand (using downstream POS and lost sales). Do not rely on order history or your forecast.

Gut-check forecasts and your partner's orders: Use forward days-on-hand to make sure that your partners are ordering rationally. Monitor forecasts against true consumer demand in as near real-time as possible to avoid large supply-demand mismatches.

MEDIUM TERM
Agility

Vet plans against demand signal: Make certain that your plans for production and distribution can be gut-checked against downstream demand in as near real-time as possible to maintain necessary responsiveness.

Ensure more agile forecasting: Use POS data as a core input into your forecasts and reconsider the granularity and time horizons at which you forecast in order to enable better S&OP decisions.

Democratize your demand signal: Make your true demand signal available to executives and cross-functional teams so that your entire business can start to identify and align around strategic shifts.

LONG TERM
Resiliency

Realign to the new normal for demand: Evaluate what worked and didn't work from the short and medium-term timeframes and continue to realign your business to consumers' new preferences.

Do more with less: The new normal may require achieving business goals with fewer resources, so prioritize process improvements and smart investments that enable your organization to scale.

Institutionalize your crisis response infrastructure:

- Push for lasting cross-functional alignment and better external partnerships
- Align your entire team around a single source of truth for inventory positions and true demand
- Enhance executive visibility into supply chain processes, with executive scorecards providing the ability to drill down deeper when needed

Demand Diagnostic Framework

Signals	What It Means
sell-through store and online stock-outs	**DEMAND IS RISING. Consumers are unable to buy everything they want because retailer orders are insufficient.** *What you can do:* Evaluate whether consumption is going up or if the demand spike represents consumer hoarding. Push existing inventory to stores but consider untethering your production plan from your demand signal.
sell-through network inventory	**DEMAND IS DECREASING. Retailers are ordering more than consumers want to buy because they haven't adjusted to the shift.** *What you can do:* Adjust your plan to ramp down production and work with retailers to try to raise demand for existing inventory.
sell-through depending on channel, category, partner online stock-outs store inventory	**DEMAND IS REDISTRIBUTING. Retailers are ordering what consumers want to buy, but consumers don't manage to buy what they want.** *What you can do:* Collaborate with retailers to redistribute inventory to meet new buying patterns (e.g., move inventory from stores to warehouses to fulfill e-commerce orders).