

Don't just survive... thrive!

How retailers are facing a tough 6 months ahead and what you can do about it...

The most prevalent challenges facing retailers today will continue into next year. As the Pound drops to worrying levels and inflation hits the country, many retailers will be bracing themselves for an even harder six months and this follows a difficult few years for the sector.

The Covid hangover and Russia's invasion of the Ukraine means disruption to supply chains will continue. To ensure survival retailers need to have the best business practices and systems in place to overcome these challenges. However, we see many businesses with internal issues which inevitably make it difficult to have an agile response to external factors to which we have little or no control. For example:

1. Workflow bottle necks

Old and outdated processes (often manual) hinder an organisation's ability to be more productive and find efficiencies within the operation.

2. Short-term reactive decision-making

Retailers are often not effective at planning, being too reactive and short term in their outlook. Often decisions are based on anticipated market dynamics and predicted outcomes. Instead, they need to play the market like a game of chess. So not focusing just on the next move but on the one beyond that. Consumers will still need consumables, but in what format and how often, where will they buy and how?

During the pandemic retailers over reacted and de-stocked. The backlash on their suppliers was enormous, creating a bullwhip effect and many suppliers found their orders flat lining to the point that some went out of business.

We also saw it with some chocolate manufacturers, who reduced the size of their bars but not price, reflecting a concern about the immediate quarter as opposed to the long-term future. The ever-shrinking chocolate bar, and the resulting consumer back lash, is a tasty example of the importance of managing costs across future horizons. This short termism is a significant risk to businesses.

3. Skills shortages are undermining productivity

Retailers are being hit by multiple factors when it comes to recruitment and retaining skills. A recent study has found that for retailers the cause of this is multi-faceted, such as Brexit and burn out because of the covid disruption.

While there is an urgency to obtain scarce, critical capabilities, there is also an effort to optimise costs in the current economic climate. The pressure on skills can hurt businesses looking to transform, to create digital structures and improve data strategies.

4. A lack of accountability within the company and across the supply chain

We see this across many retailers where unclear roles and

responsibilities, limited resources, poor strategy, or unrealistic goals can lead to a lack of ownership which leads to inaccuracies and errors in decision-making. It is also increasingly important that a business has proper corporate accountability across the whole of its supply chain. An example of what happens if not can be seen in the demise and ruin of Philip Green and Arcadia.

So, what is the answer? When speaking to retailers we advise them to focus on the following:

1. Supply chain visibility

Sofa Workshop, which offered e-commerce as well as stores across the UK, collapsed this month with the loss of 77 jobs. Appointed administrator PwC said supply chain and transport costs had contributed to trading losses and outweighed 'significant revenues'.

For companies wanting to reduce costs they need to enhance their supply chain visibility and diversification. Greater visibility of end-to-end inventory, fulfilment costs, and customer experience metrics can enable retailers to balance costs and services more effectively.

Retailers need to reorient their supply and distribution networks so that shipments go through low congestion ports and lower cost ocean lanes. They should place distribution centres in locations that balance labour availability and costs. It is also worth considering using third party logistics and supply chain providers to reduce distribution overheads.

2. Joining the dots

For businesses looking to address some of the key issues and implement a transformational plan, there are some fundamental questions to ask about organisational alignment, adjustment, and planning. Having the alignment of people, process and tools is pivotal to achieving full business potential.

Retailers should ask themselves difficult questions:

- Where does accountability sit within the organisation?
- Do you have visibility of the supply chain?
- Do you plan, if so, how far out do you plan?
- How aligned is your organisation to an overall strategy?
- Are there any isolated departments, data silos and/or gaps in operational processes?

Retailers need to look at their existing strategy and update it. This might include reshaping their supply chains in light of the new realities and taking a look at whether core processes still work in the new world. This will also lead to looking at new goals and priority setting, resource management, assumptions, and scenario planning. It is important to think about your competitors. If they go under is this a good thing for you? How can you optimise from changes in your competitor's situation.

For any business that is experiencing organisational silos,

inconsistencies in processes and decisions, a firefighting reactive culture and poor business performance, reviewing an existing strategy and implementing an alignment strategy is essential.

3. Updating technology and outdated work systems

Cost-monitoring tools that are in real time allow retailers to identify what the impact of input cost changes should be—of raw materials, freight, labour, exchange rates, and so forth—and where those diverge from supplier-proposed prices, take action. Retailers can then leverage these real-time insights to better manage their exposure to inflationary inputs by optimizing product design and specifications and reassessing their vendor-country matrix.

4. Planning for growth

Businesses need accurate strategies that align with the capabilities of the business and needs of the market. Business agility is overtaking efficiency as the key competency

required to thrive in unpredictable economies.

Agility is built on knowledge. This means businesses need a planning structure that can connect all departments, delivering data that can drive the sort of intelligence required to enable oversight but also align processes and accountability. With this oversight, businesses can start to plan, knowing how decisions affect departmental needs and resources. It provides intelligence, on what is required, from staffing through to inventory, products, sales, and logistics. This is the role of Integrated Business Planning – the chosen process of some of the world's most progressive and best-known organisations.

To survive, retailers need to develop key strategic objectives with clear lines of authority and communication, as well as the ability to react, respond and adapt the plan when the operational situation changes. In our current environment you must be able to deploy plans that may change again and again. A cohesive, aligned, collaborative organisation & culture is essential for this to work.

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The Retail Risk - Gala Dinner

20 April 2023

Featuring TV's Mock The Week comedian, Andy Parsons



Following Retail Risk - London 2023, on April 20th, join us to celebrate in real style at the Retail Risk - Gala Dinner 2023.

Guests will arrive for a black tie, champagne reception, before taking their seats for dinner.

Following more champagne, wines and four courses of great food, the brilliant Andy Parsons will take to the stage. Andy is the multi-award winning comedian who started his career writing for *Weekending* and *Smith and Jones*, who then went on to become one of the main writers on the ground-breaking *Spitting Image* satirical puppet show. He is perhaps best known for his long-running stint on TV's *Mock The Week*.

Added to that, we'll have the absolute best in live musical entertainment to see you well into the early hours.