

Designing for Business Continuity in Times of Disruption

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With disruption comes opportunity. Supply chain leaders who innovate quickly with a focus toward agility will reap rewards.

Introduction

Intralogistics systems, distribution facilities and supplier networks were not designed for the rapid shift in demand patterns we experienced in 2020.

Disruption is happening at a pace you can actually see and has revealed vulnerabilities AND opportunities to improve performance.

In addition, the need for physical distancing has highlighted the need for scaling and strengthening digital capabilities.

To that end, it is imperative for companies to take action to ensure business continuity.

eCom Shift Driving Change in Customer Expectations



An accelerated shift to eCommerce is driving not only a change in order profiles and channel mix, but also a shift in customer expectations. Now that customers have experienced the convenience and benefits of click and collect, curbside pick-up and ship-from-store, they will no longer be optional.

Accelerating the Need for Speed

88%

of consumers are willing to pay for same day or faster delivery



Global Consumer Insights Survey

92%

of consumers said they would like/love "free one-day delivery by whatever means is most expedient."

ORACLE

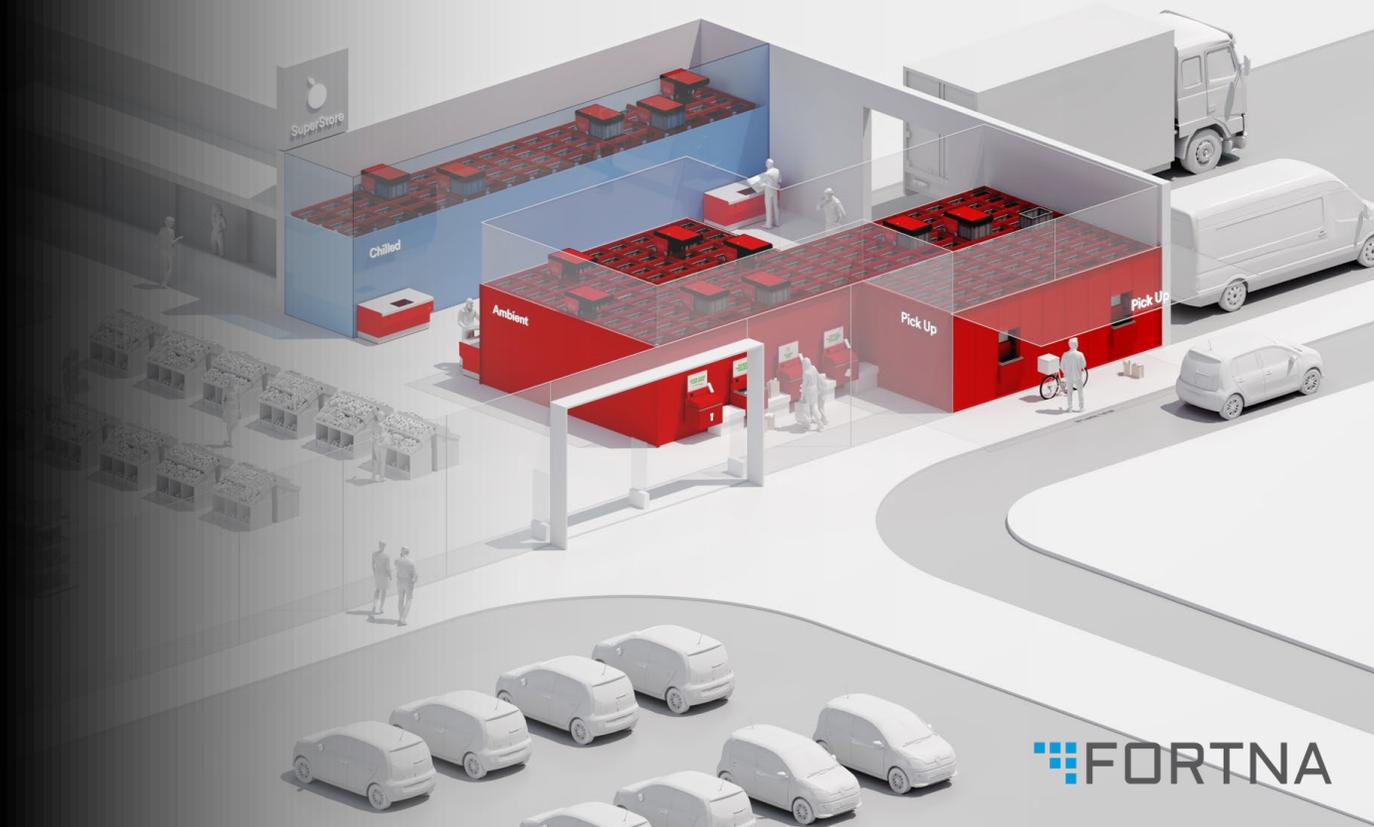
Global Consumer Experience Trends

Customer expectations have arrived five years ahead of forecast alongside an exponential increase in online orders. Speed is paramount to compete with Amazon, Walmart, Target and others that have set a high bar with next-day and same-day delivery capabilities. Efficient and cost-effective each picking will be required.

Micro-fulfillment is the key to Speed

It's time to take a fresh look at network and micro-fulfillment strategies that help position some inventory closer to the customer for faster fulfillment.

Micro-fulfillment reduces time and distance to the customer making fast, free delivery promises more economical.





eCommerce volume will continue to rise, courtesy of newly entrenched shifts in the buying habits of consumers. Market share gains will go to companies that develop strong eCommerce fulfillment operations. It will be an uphill climb for those who don't invest quickly in shoring up this area of the business.

Real-time Inventory Visibility

With eCommerce orders, visibility to inventory is more crucial than ever. Better (and more profitable) decision-making hinges on the need for real-time inventory data. This goes beyond SKUs located in the warehouse to include products in stores and in transit -- on trucks, ships and at the manufacturing site.



3PL



Distribution Centers:
eCommerce
Retail
Wholesale
Multi-Channel
Regional
Forward



Suppliers



Lockers/Vending
POS

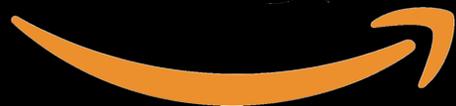
Inventory Visibility



Stores &
Branches
(showroom,
backroom, and
returns)



In-transit



The ability to fly anywhere in two days allowed Amazon to treat its nationwide network as a single pool of inventory.

Inventory Alignment and Flexibility

Fashion retailers will need to find ways to reduce inventory that accumulated as stores remained closed during the pandemic.

As online returns filter in through stores, disposition of these products will need to be determined quickly to avoid inventory being trapped in a single channel or region when another is starving.

Inventory flexibility may necessitate bypassing or overriding replenishment and allocation algorithms.

Taking Stock

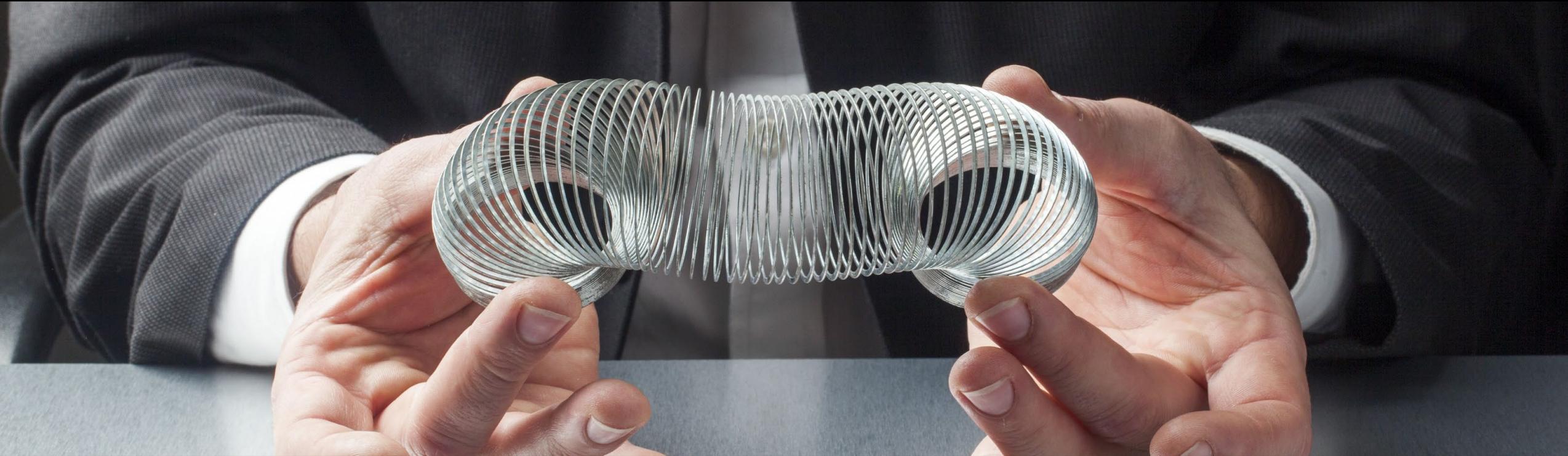
Inventories-to-sales ratio for U.S. retailers

1.65 months of inventory



Source: Federal Reserve Bank of St. Louis

Flexible and transparent supply chains



Initially, increased safety stock will be needed to mitigate the risk of disruption to single source or geo-concentrated suppliers.

Supplier diversification, near-shoring, secondary sourcing and financial health checks for key sources may be needed to weather another major value chain disruption.

Worker Health and Safety

The safety and health of workers has new meaning for employers in the wake of COVID-19. PPE equipment (masks/gloves), sanitation stations, adequate distancing and reconfigured common areas are necessary to ensure employees have the appropriate equipment and environment to perform their jobs while protecting themselves.



A New Kind of Labor Challenge

THE WALL STREET JOURNAL.

Amazon Hires 175,000 Workers to Meet Increased COVID-19 Demand

FORTUNE

Health Care Costs Are Expected to Jump 5% in 2020

The labor availability and absenteeism issues that topped the list of concerns in 2019 have turned to labor risk mitigation.

The increased cost of labor (turnover, training, wages and health care costs) and the increased risk of relying on labor in a health crisis makes adding more workers an unsustainable option for the long term. The resulting congestion and reduced productivity combined with physical distancing requirements to keep workers healthy is a recipe for adding cost without benefit.

The Case for Automation

40%

of companies world-wide are increasing their use of automation as a response to the outbreak.



2X by 2025

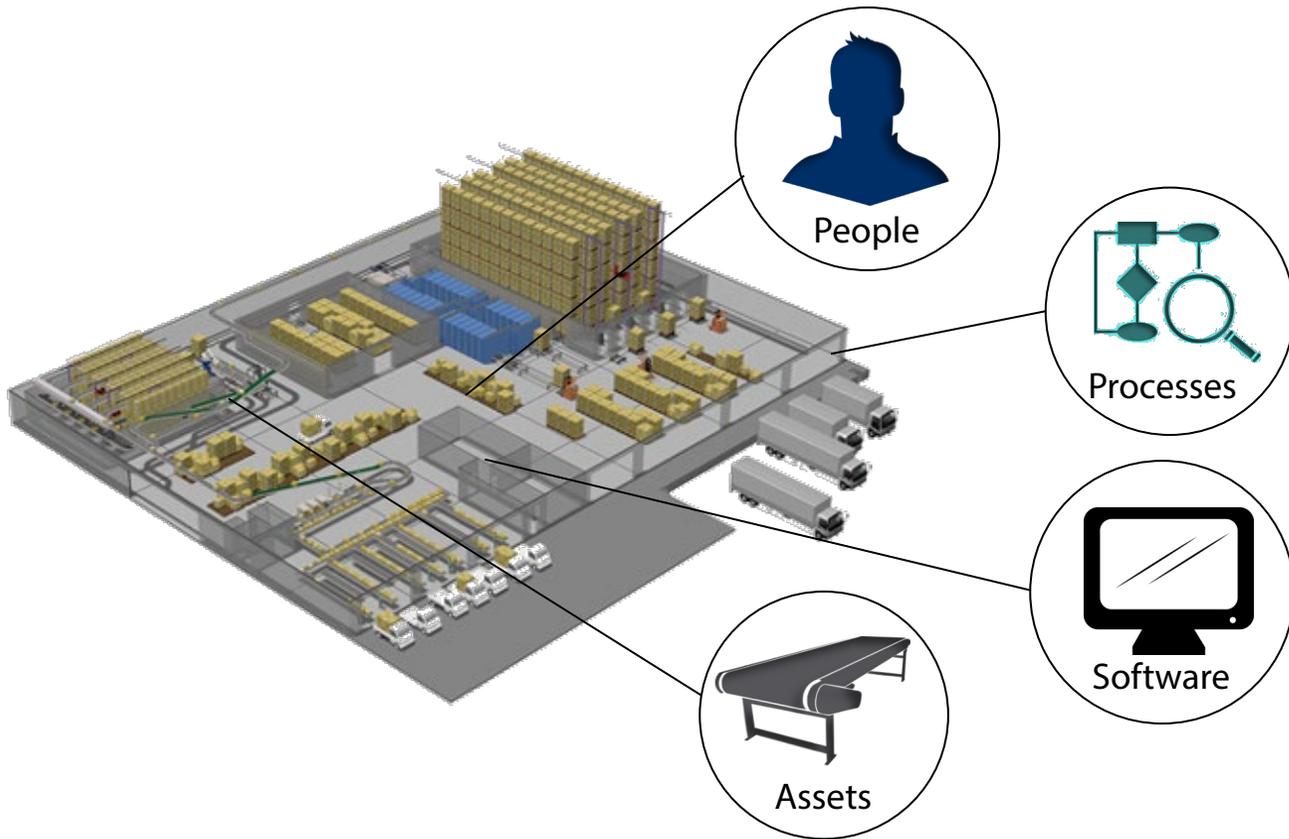
AMR (autonomous mobile robot) sales expected to double to \$27 billion by 2025

FROST & SULLIVAN

Disruption has revealed stress points in distribution operations. With eCommerce and store volume changing, seasonally or even unexpectedly, the warehouse layout, inventory and processes must be agile enough to handle significant shifts and be responsive to ebbs and flows across all channels.

This has driven the need for and improved the business case for automated solutions that enable increased throughput, capacity and productivity, and safer environments for workers.

WES Unlocks the Value of Automation

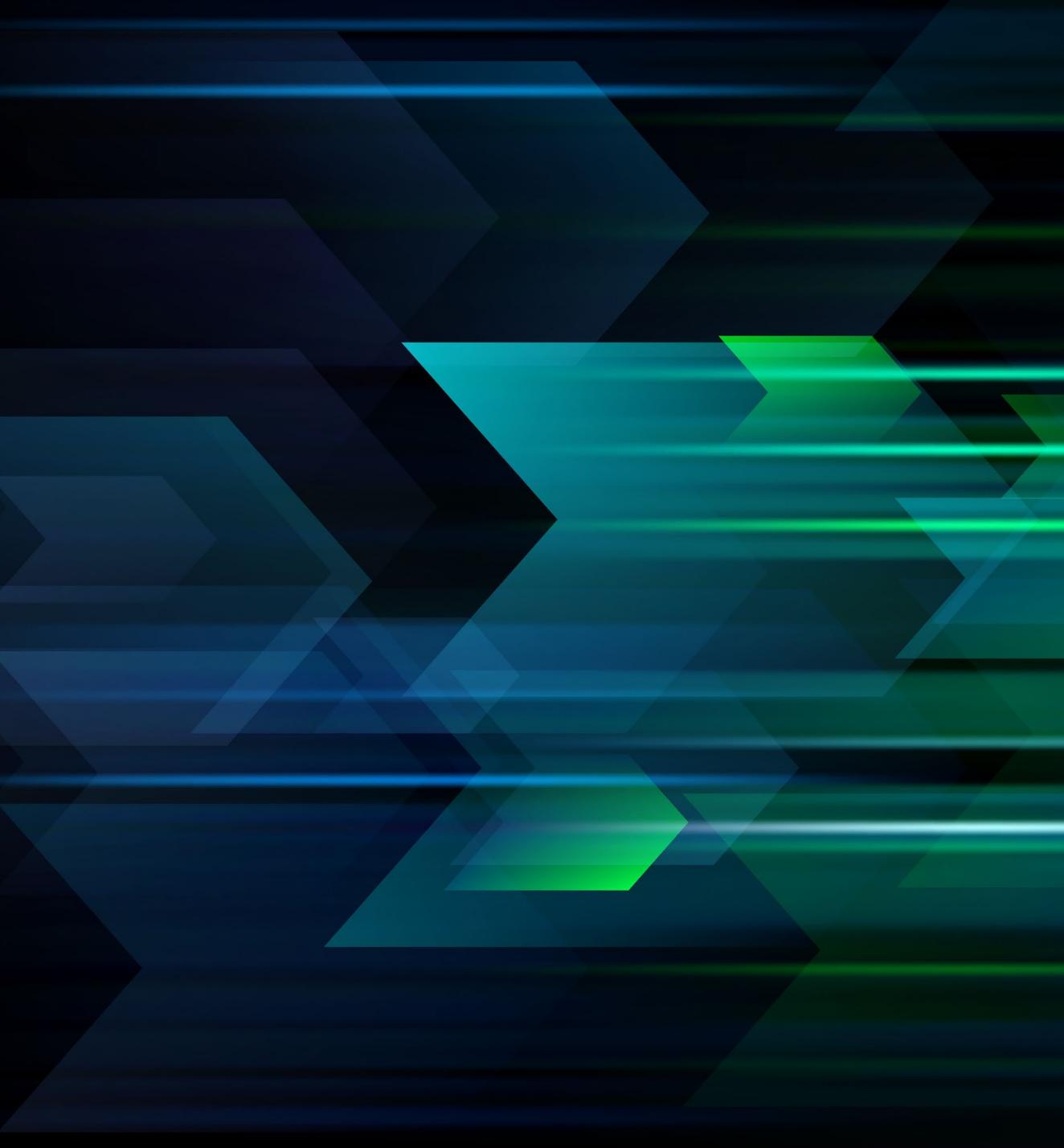


Systems are critical to ensuring the operation is agile enough to handle changes to process, service agreements, and technologies. Real-time optimization of resources (people, systems, assets) depends on the underlying software upon which the operation runs.

Sophisticated algorithms found in warehouse execution software (WES) prioritize orders in real time, enable smart processing of orders for reduced travel and increased productivity, and routing of workers to reduce congestion. The best WES software enables plug and play of different technologies, allowing the facility to flex as the business expands, contracts and fluctuates seasonally.

Intelligent Software

Intelligent software will provide the next efficiency breakthroughs to optimize assets and reduce waste. Close attention to systems structures, interdependencies and weaknesses is needed in a hyper-connected world. Cybersecurity requirements and diligence across all links in the value chain will be needed to ensure business continuity.



Disruption is a clarion call for supply chain leaders to innovate faster with a focus on agility as a key component of the business case.



STRATEGY

ASSESSMENTS

OPERATIONS DESIGN

SYSTEMS INTEGRATION

FORTNAWES™

IMPLEMENTATION

LIFECYCLE SERVICES & SUPPORT

The Distribution Experts™

Fortna partners with the world's leading brands to transform their distribution operations to keep pace with digital disruption and growth objectives. Known world-wide as the Distribution Experts, we design and deliver intelligent solutions, powered by FortnaWES™ software, to optimize fast, accurate and cost-effective order fulfillment. Our people, innovative approach and proprietary algorithms and tools, ensure optimal operations design and material and information flow. We deliver exceptional value every day to our clients with comprehensive services including network strategy, distribution center operations, material handling automation, supply chain systems and warehouse software design and implementation.