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Sourcing in Times of Pandemic



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With the COVID-19 crisis challenging the structures and functionality of textile supply chains, here are some ideas to make those more efficient

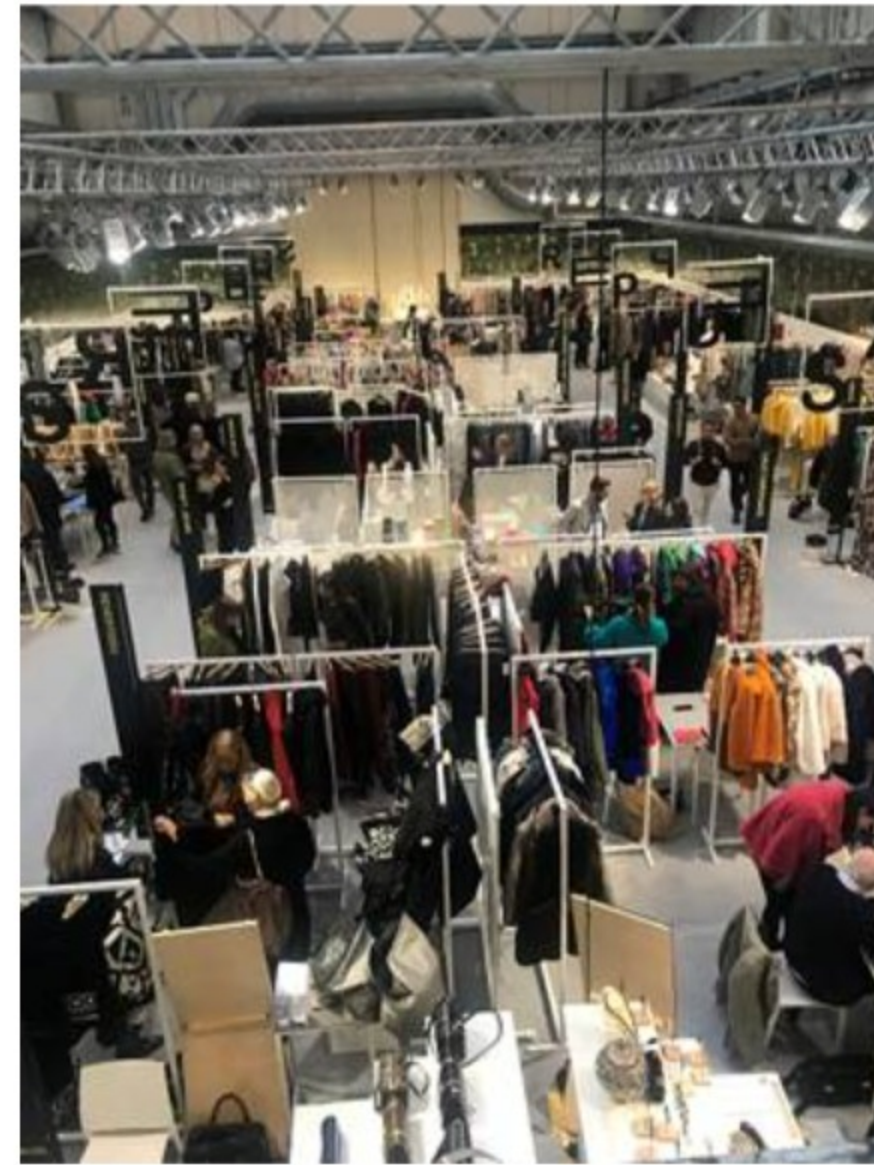
"Heaven is under our feet as well as over our heads," said American philosopher Henry David Thoreau. This is exactly what COVID-19 has taught humans. What mankind could never anticipate happened earlier in this year and the current pandemic still continues to dominate our ways of life.

The vast supply chain management industry suddenly realised how depleted its systems can be and how underprepared and helpless it can feel while facing something unprecedented like this pandemic.



The COVID-19 crisis has challenged the structures and functionality of supply chains, with significant demand and supply disruptions across the fashion value chain. Transformation is more important than ever to safeguard the industry's future. However, the positive side is the emergence of stronger players in the game of managing supply chains, where consumerism is changing on a daily basis.

With the ongoing US-China trade war, it has become a catch 22 situation. Turkey being one of the major benefactors among the buyers of the European Union (EU) region, there is immense opportunity for other South Asian manufacturing hubs like India, Vietnam, Bangladesh and Myanmar alongside African countries like Madagascar to tap into the market share.



During January and February this year, China showed almost 33 per cent fall in sourcing demand, according to a survey conducted by Deloitte Sourcing Response. This further dampened as the world announced lockdowns and the impact on other South Asian countries became even more severe.

Some of the immediate pattern changes that became evident across the global supply chains, as COVID-19 engulfed the world are:

- Demand forecast became an imaginary scenario.
- Online channels caught up scale as a primary selling point.
- Suppliers failed to meet demands, mainly due to ground-level challenges like labour issues and increasing costs.
- Uncertainty of order flows and cancellations.
- Operational losses for units due to logistic issues of held up inventories, unavailability of labour and transport.
- Credit terms from suppliers to buyers diluted.

The industry needs to pay attention to the 'next normal' to improve its sourcing practices. Finding ways through innovative and out-of-the-box ideas always help and that is exactly what would be the recommendation more so now.



Here are some ideas to make the supply chain more efficient in the current scenario:

Build stronger supplier partnerships: Considering suppliers as partners and those who support manufacturers is more important than ever. Pushing innovation through product development and extending support for timely payments would entrust manufacturer's confidence in buyers. Exploring new investment opportunities, upgrading technology and establishing effective production lines would take care of the most sensitive aspect in the supply chain, i.e., the time to market.

Better manage inventory levels: The buying and sourcing teams need to understand actual inventory levels across all distribution and production points, including what is there at the mills and simultaneously at retail points. This can be done once a transparent value chain is visible to all involved teams across all processes. Depending on the scale of business and respective revenue models, companies should invest in artificial intelligence (AI)-based models, and look at blockchain technologies for distribution and warehousing. These tools can be bespoke or readily available, cloud-based firmware options can be implemented across the whole supply chain.

In the current scenario, US-based companies, especially the fast fashion chains, started order cancellations. Many retail companies filed for bankruptcy. One saving grace is that European companies are cancelling orders less often than US ones. One of the major reasons for this pattern mismatch is the variation in product sourcing mix.

Create flexible demand-oriented value chain: As uncertainty prevails, demand forecasting has become more challenging. With volatility in sales, a more flexible and buoyant demand-oriented supply chain should be looked at. Consumer trends should be followed closely to develop new product lines, with faster lead times and cost-effective options. The fashion industry has changed as seasonal buying became invalid. The fashion brands merged their 'buying seasons', shuffled events calendars and adopted virtual presentations to showcase collections. For creative teams, it is important to operate with limited measures, especially when travel is restricted. A deeper understanding of consumer needs is crucial.

Optimise profits and cash flow: Brands are continuously pressurising their buying/sourcing teams to optimise cash flow. A lot of retail stores continue to be either shut or operational with relatively low footfall. The teams are strictly advised to save costs, keep a close look at profitability ratios, and negotiate payment terms with suppliers. This approach should be continued to achieve sharper pricing and pass on the benefits to consumers to drive sales.

Select the right product mix: Getting fast-moving products across racks and online platforms should continue to be a priority for brands. Consumerism has made a drastic shift and customer demand for luxury or even affordable luxury products has been sweeping under the carpet. With continued lockdowns and work from home norms, customer priorities and spending patterns have drastically changed. Comfortable and affordable purchases have made way and the demand for similar goods continue to surge. Loungewear, active sportswear and so called 'zoom clothing' are the most desirable. Companies need to understand this shift in buying pattern and procure their stock-keeping units (SKUs) accordingly.

Put sustainability at the top: Approach to sustainability has come under the budgeting sword by major fashion brands, as they struggle to time it better. It is now pressed hard by companies to put 'sustainability' at the top of the executive agenda. Sustainable sourcing at scale was a must-have in pre-pandemic times and was the most talked about segment among leading global fashion brands. The United Nations defined its 'Sustainable Development Goals' and the G7 Sustainability Pact in 2019 sealed the manifesto. Social and environmental sustainability has become mainstream in the new normal. The pandemic has thrown a spotlight on brands' commitment towards safety of their customers, staff and those working in the global value chain. This could be termed as 'creating sustainable values'.

Implement a strong sustainability model around five pillars: Environmental protection, economic development, social responsibility, transparency and traceability.

The pandemic has increased consumer interest in sustainability. During lockdowns, consumers observed their consumption habits as purpose and purchase values were in focus. Customers are demanding sustainable actions from companies. A recent consumer survey by consulting firm McKinsey showed more than 40 per cent of consumers in Europe and North America are already favouring brands that are showing serious concerns and are contributing to the social or medical agenda around resolving the current crisis. More than 20 per cent of consumers indicated they would like to support local businesses, plan to buy more products locally and want to reduce their clothing consumption. Additionally, 16 per cent of consumers in Europe, and 13 per cent in the United States indicated they will be willing to buy more socially and ecologically sustainably produced products in future.

Digitise the sourcing process: Automating major part of the product sourcing process is another investment sourcing companies should continue. Building a more efficient team and training people at the floor level are major challenges sourcing companies still face. But to achieve a transparent and traceable supply chain model, efficient use of technology is important. Certainly, using communication tools can help you get closer to your suppliers. Likewise, digitisation of supply chains has been accelerated to better manage data and distribution of products. Analysing reports helps order forecasting, optimise cost, enhance quality levels, increase efficiency and reduce lead times.

Create virtual buying trips: One industry that has boomed its way through the current crisis is information technology (IT) and IT-driven services. Multiple companies that were struggling to promote virtual platforms to fashion brands are being chased and hunted by the same brands that ignored them till last year. Various tools to showcase, support and sell products online or on virtual showrooms are the latest fad in fashion, be it apparel, accessories, footwear or home textiles.

Sourcing companies can actually create a cluster of their mills and vendors and present new collections to their clients at rocket speed. The virtual process cannot completely replace the actual feel and touch factor, but creative teams can brainstorm innovative ideas to get as close as possible to the real thing, using these virtual tools.

Some major brands like Louis Vuitton, Dior, Chanel have conducted virtual presentations and shows over the past few months. This has actually helped them reach directly to consumers, bringing all to the front rows and being omni-present at the same time.

Create plan B: Ways to conduct business has changed in this new normal. A lot of these changes are here to stay. However, if times change, companies should be ready to switch back to a few orthodox and efficient models or make way for amendments in the new and trendy approach. Planning ahead always helps and being prepared for another situation like this pandemic will certainly not be a bad idea for the whole supply chain.

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