

Supply chain disruptions in 2021

Challenges and the way forward

Shippers in the UAE are facing unprecedented challenges that require state-of-the-art, customer-oriented supply chain functions. These must not only rapidly adapt to changing customer needs, but also assist in optimizing costs and reducing risk exposure.

Supply chain challenges

Demand challenges – high variability

- UAE retailers observed a **300% – 400% increase in online transactions** vs. a **50% drop** of in-store sales
- There has been a **60% increase in average basket size** for online orders
- There was a **significant change in consumer preferences** (e.g. increased demand for healthy fresh organic produce) impacting the overall product mix

Supply challenges – domestic and international

- **85% of the UAE's food is imported** primarily from Brazil, UK, USA, France, China, Saudi Arabia and India

Relevant initiatives and action points

End-to-end supply chain visibility

- Create **enhanced real-time visibility** from supply to delivery
- Develop **supply chain value map** across multiple **supplier tiers all the way to customer(s)**
- Build automated supply chain dashboards encapsulating real time information of supply chain status
- Gain insight singular and respond faster to risks by leveraging **predictive analytics**

Integrated supply chain

Establish integrated planning to balance demand, resources and supply

- **Potential protectionist policies** from major **food exporting countries** could disrupt the supply of essential food items
- Food retailers and FMCG companies are struggling to **continuously define optimal inventory levels**

Logistics and manpower challenges include:

- **Increased last mile deliveries** due to a surge in online purchases as a result of temporary closure of bulk delivery businesses (e.g. restaurants, schools, cinemas, etc.) putting severe pressure on the entire logistics chain including cold chain
- Higher **cost-to-serve** due to increased international transportation and last mile delivery costs
- **Cross-skilling employees** for redeployment, for e.g. from in-store personnel to a packaging/delivery role

Customer satisfaction challenges include:

- **Increase in delivery lead times** for essential food items from **1 - 3 days** to **5 - 10 days** causing high levels of consumer dissatisfaction
- Poor customer satisfaction **due to stock-outs** at the stages of placing order through shopping cart, order confirmation, delivery, and inaccessibility of customer service support with long resolution lead times
- Inadequate customer information of order status and expected delivery time leading to negative customer reviews

- Realign supply chain operating model, integrating the various functions along with the support information systems
- Implement integrated supply chain **planning processes** including demand forecasting, supply planning and delivery planning
- Determine optimal **inventory levels** based on the category risk profile, business risk appetite and target customers service levels

Process excellence and customer experience

Re-engineer supply chain processes and customer journeys

- Segment customers based on supply chain criteria
- Redefine customer journeys in the new normal
- Design customer-centered supply chain processes

Network re-engineering

Re-engineer warehouse and logistics network

- Review the existing distribution network to identify bottlenecks and find alternatives such as hub and spoke models, pooling etc.
- Re-engineer last mile deliveries, align transportation modes and partner with carriers and distributors

Cost reduction

Reset cost profile to improve profitability

- Review and analyze overall cost-to-serve to reduce non-value adding activities
- Review and reduce direct as well as indirect spend

Supply chain risk management (SCRM)

Mitigate diverse risks across the supply chain through multiple interventions:

- Develop a supply chain risk management framework and put in place best-in-class supplier risk management practices
- Evaluate near-shore options with a good mix of local suppliers to shorten and de-risk supply chains
- Review alternate suppliers following a multi-tier risk assessment of current suppliers based on supply criticality

Benefits



12% - 20%

enhancement in customer service levels by redefining customer journeys



5% - 10%

sales increase through predictive analytics



5% - 15%

reduction in inventory levels through demand/supply planning improvements



5% - 10%

time & material waste reduction via the use of lean efficiency tools



5% - 12%

reduction in cost-to-serve using network optimization and cost reduction

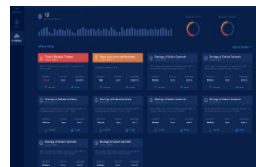
KPMG supply chain assets and insights



Supply chain visibility dashboards



Supply chain risk management



Predictive analytics



Integrated customer journeys

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