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Consumer product companies and retailers plan to overhaul their supply chain strategies in next three years to better adapt to future disruptions

Just 23% of consumer products organizations and 28% of retailers believe their supply chain is agile enough to support evolving business needs

Paris, March 11 2021 – A new report from the [Capgemini Research Institute](#) examining the impact of the past year's disruption on consumer products and retail (CP&R) supply chains, has found that 66% of organizations say their strategy will change significantly in the next 3 years, as they adapt to the pandemic and embed resiliency into their operations. Just 23% of consumer product organizations and 28% of retailers believe that their supply chain is agile enough to support the organization's evolving business needs.

COVID-19 was a wakeup call for CP&R companies: 85% of consumer products organizations and 88% of retailers say they faced disruption, while 63% of consumer products organizations and 71% of retailers say it took at least three months for their supply chains to recover from the disruptions. As a result, organizations are realigning their strategies to focus on three critical areas.

The move to demand sensing

Over two-thirds of organizations (68%) say they faced difficulties in demand planning due to a lack of accurate and up-to-date information on fluctuating customer demand during the pandemic. To improve forecasting, 66% of organizations plan to segment supply chains according to demand patterns, product value and regional dimensions post pandemic, while 54% say they will use analytics/AI-machine learning for demand forecasting to cope with the impact of COVID-19.

Visibility becomes critical

75% of consumer product companies faced difficulties when they needed to quickly increase or decrease production capacity due to COVID-19. To create the agility to respond to sudden shifts in demand, manufacturers can identify opportunities to improve visibility, cites the report. This can help deal with the challenge of strategic, tactical, and real-time operational decisions.

Organizations understand the significance of digital investments in improving visibility. 58% of retailers and 61% of consumer product organizations are planning to increase investments in digitization of supply chains. In particular, 47% of organizations are planning to invest in automation, 42% are planning to invest in robotics and 42% in artificial intelligence. 64% and 63% of organizations are also planning to make extensive use of artificial intelligence and machine learning across transportation and pricing optimization respectively.

From globalization to localization

To prevent future disruption, organizations are recognizing the importance of localization and are



actively investing. CP&R organizations are shifting from globalization to localization of the supplier and manufacturing base. 72% of consumer product organizations and 58% of retailers say they are actively investing in regionalizing or localizing their manufacturing base or nearshoring production.

65% of CP&R companies are also investing in regionalizing and localizing their supplier base, rising to 83% in the UK and 73% in India. In line with these strategies, global suppliers will represent just 25% of retailers' capacity in three years' time, down from 36% today. In consumer products, global manufacturers will represent just 17%, down from 26% today.

In line with the move to localization, dark stores, which have independent operations and are closer to the delivery locations, are becoming an increasingly useful alternative for fulfilling online orders as physical footfall decreases. Earlier [Capgemini research](#) showed that if deliveries from dark stores increase by 50%, profit margins could grow by 7% as a result of lower delivery costs and higher delivery throughput compared to stores (while also not affecting store operations).

"CPGs and retailers recognize the great risk of future disruption, and they have an opportunity to be in front of creating agility and resilience to adapt their supply chain networks," says Lindsey Mazza, Global Retail Supply Chain Leader at Capgemini. *"The pandemic was an accelerated learning event. Organizations realize that new technologies can enable much-needed agility – from improving demand predictions, to boosting fulfilment to quicker, cost-effective last mile deliveries. By investing now, organizations put themselves in good stead to safely support consumers in their time of need – whenever the next industry disruption may be."*

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