

# 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



## KPMG supply chain assets and insights



### Supply chain visibility dashboards



### Supply chain risk management



### Predictive analytics



### Integrated customer journeys

## Contact us



**Olivier Brusle**

Partner  
Operations Consulting  
KPMG Lower Gulf Limited  
**e:** obrusle@kpmg.com



**Hiren Amin**

Partner  
Lighthouse  
KPMG Lower Gulf Limited  
**e:** hamin2@kpmg.com



**Kumar Singla**

Director  
Operations Consulting  
KPMG Lower Gulf Limited  
**e:** ksingla@kpmg.com

### Follow us on:



**@kpmg\_lowergulf**

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. © 2021 KPMG Lower Gulf Limited, licensed in the United Arab Emirates, and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International. Designed by Creative UAE

Publication name: 3646-Supply chain disruptions in 2021 Date: September 2021