

Supply chain volatility is a major challenge



For many businesses, significant supply chain fluctuations in both supply and demand make forecasting difficult. Detailed insight into trends and developments remains essential, however, which is why ever-more organizations are using algorithms and machine learning in their operations.

Blueridge has achieved strong growth in supply chain; since starting out in distribution, the company has expanded its focus over time to include retail and subsequently manufacturing too, resulting in a broad view of the supply chain-related trends. “We have identified a number of generic challenges plus some specific challenges in vertical markets,” says Cliff Isaacson, EVP Product Strategy at Blueridge. “One key trend right now is supply chain volatility, both on the demand side due to consumer behaviour and on the supplier side.” This trend particularly affects companies that source materials internationally. “There is currently considerable focus on managing those strong fluctuations in order to ultimately ensure that you have the right goods to meet customer needs. One consequence of this is that companies are sourcing goods much closer to home, i.e. European companies are now looking for suppliers within Europe rather than further afield, such as in Asia. We’re seeing a similar trend in North America.”

Differences

Another area that requires attention is consumer demand volatility. “Much of that is a result of the pandemic, and there are substantial differences between the verticals in the consumer segment. For example, we have a customer in the drinks industry. That sector has seen huge shifts in demand. The demand from restaurants completely dried

up when the lockdown started, whereas the sale of drinks for home consumption increased. Planning is a challenge when the demand is so volatile.”

“One trend that has been around for longer but has been accelerated by the COVID-19 outbreak is the rise in online demand. There has also been a discernible – albeit less abrupt – shift in demand for sustainable goods, such as in construction; the DIY market has grown because more people have had time to make home improvements.”

E-commerce

“On the distribution side there have been clear developments related to e-commerce – an area in which Europe has always been ahead of North America in many areas. In terms of distribution, a growing number of companies are selling goods online and that growth is set to continue. Distributors have a big advantage because they hold large inventories without being tied to a physical store, and there is a clear trend towards selling directly to customers. In effect, distribution and manufacturing are undergoing the same transition that retail has been through previously, with the same challenges.”

This is having an effect on Blueridge’s activities: “Everything we do is aimed at improving demand forecasting. And after predicting the demand, you need to translate it into the effect on your inventory. If you can’t supply the goods, you won’t earn any money. So it takes a lot of machine learning and intelligence to maintain inventory levels to fulfill customer demand, and one key way to do that is to set the right price. Many recommendations are driven by machine learning and algorithms. Our customers have a lot of faith in our recommendations and that level of trust has remained intact despite the recent situation.”

Maarten Baltussen, Blueridge’s Regional VP Europe, adds: “In the Netherlands, many



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businesses are looking at cost management, especially if they have suffered losses. In that case, they often focus on demand optimization and sometimes on supply optimization, but hardly anyone focuses on price optimization in combination with supply and demand – yet that is what needs to happen right now. Because while it’s certainly necessary to save costs, the orders still need to be delivered on time. That requires prices to be optimized for retailers, wholesalers and distributors.”