



The Path Forward

Rising Above the New Norm of
Supply Chain Drama

Emily LeVasseur
Waypost Advisors 2022



About Me & Waypost Advisors

Emily LeVasseur – Managing Director

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- 16 years of supply chain experience
 - 14 years at Cargill
- Truck freight & International logistics
- International container freight procurement
 - Supply Chain Planning – Forecasting, Inventory, Supply Planning, MRP
 - Plant Ops / Continuous Improvement
- Tactical roles all the way to SC Director
- Live in Twin Cities with husband and 4 year old daughter
- Enjoy snowboarding, hiking, biking, physical activity, painting & building gingerbread houses with Aurora, being outside (in the sun or snow!)
- Left Cargill in 2020 to build a supply chain consulting business, focused on the Middle Market

Agenda

How Did We Get Here?

When Will It Get Better?

What Lies Ahead

Where To Focus Improvements

Open Topic Discussion



How did we get here?

The Bullwhip Effect
exacerbated all supply
chain weaknesses



Uncertainty in Demand and Supply

DEMAND – UNPREDICTABLE AND EVER-CHANGING

- Consumer preferences changed significantly, overnight and ongoing
- Stockpiling (TP, sanitizer, home goods)
- Increased demand on substitute goods in the face of stock-outages
- Increased demand for “closer-sourced” goods

SUPPLY – EXTREME DISRUPTIONS

- As demand moved, supply chains couldn't move fast enough (ex: meat shortages)
- Labor – many workers left the market, covid lockdowns / lockouts
- Bottlenecks – transportation, raw materials, production capacity
- Cost inflation (ocean shipping, commodities = everything)

What Caused Greatest Struggles?



PLANNING & FORECASTING

- Highly demand and/or constantly changing customer forecasts
- Lack of business forecasting ability (Sales & Operations Planning)
- Ineffective use of inventory & buffer stock planning
- Ineffective cross-functional communication, especially between sales, purchasing & operations

SOURCING & PROCUREMENT

- Short-notice, extended leadtimes
- Significant, short-notice changes in demand
- Material shortages
- Cost inflation
- Stockpiling
- Lack of visibility to helpful performance metrics (balance sheets, leadtime changes, vendor performance)

TRANSPORTATION & LOGISTICS

- Ocean shipping bottlenecks & disruptions from COVID
- Extreme increases in demand
- US & Canada Truck Driver Shortages
- Labor shortages at warehouses



The Great Resignation



When Will It “Get Better”?

Short Term:

When Demand Reduces or Stabilizes

What are 2022 the impact factors on demand?

- Interest Rates & Inflation – Impact on Consumer Buying Power
- Pressure on balance sheets / raw material inventory
- Covid Lockdown Reductions / Return to Office
- “Wild Cards” - GeoPolitics – Russia, China



When Will It “Get Better”?

Long Term:

When Demand Stabilizes & Supply Rebalances

- Automation
- “Closer-Shoring”
- Regulation to prevent bottlenecks and profiteering
- Investment in infrastructure (ports)
- Improvements in labor availability – worker compensation & workplace improvements, population increase, gig-economy
- GeoPolitical relative stability

What Lies Ahead for Supply Chain in 2022?

Anticipating the trickle-down effects of economic change



2022 Supply Chain Pressure Factors



Rising Interest Rates



Money gets more expensive, buying power reduced



Regulatory pressure on banks to downgrade under-performing loans



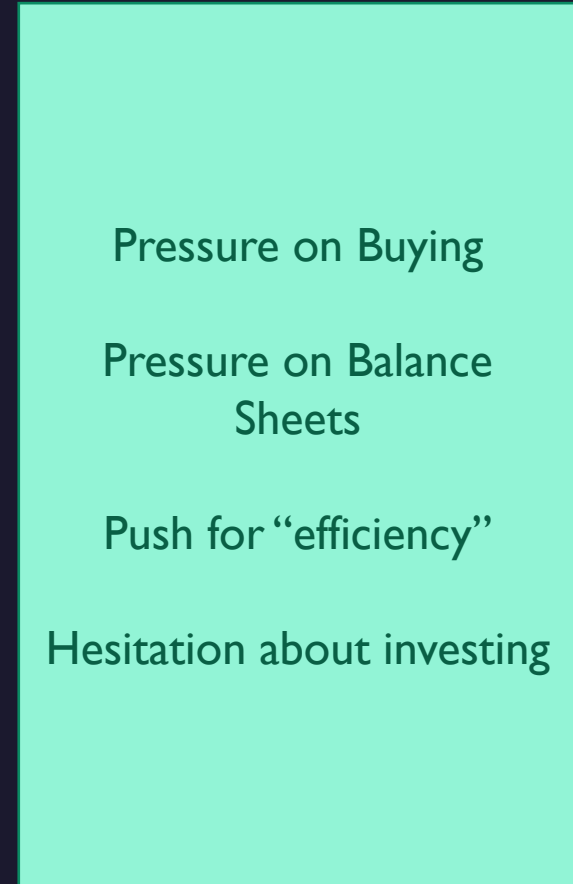
Money gets harder to get



GeoPolitical Instability = Uncertainty



More anxiety around spending money



Underlying Demand Driver Assumptions for 2022-2023

Personal Income and Spending <i>All Data Seasonally Adjusted</i>	Feb-22	Jan-22	Dec-21	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % change
Personal Income	0.5%	0.1%	0.4%	3.8%	2.3%	6.0%
Disposable (After-Tax) Income	0.4%	0.1%	0.3%	3.3%	0.9%	4.6%
Personal Consumption Expenditures (PCE)	0.2%	2.7%	-0.9%	8.1%	9.2%	13.7%
Durables	-2.5%	11.3%	-5.4%	11.4%	16.3%	17.2%
Nondurable Goods	-0.1%	3.9%	-2.5%	4.8%	8.6%	15.6%
Services	0.9%	0.7%	0.5%	8.6%	8.1%	12.4%
PCE Prices	0.6%	0.5%	0.5%	6.7%	6.6%	6.4%
"Core" PCE Prices (Ex Food and Energy)	0.4%	0.5%	0.5%	5.6%	5.2%	5.4%
Real PCE	-0.4%	2.1%	-1.4%	1.3%	2.5%	6.9%

Source: Bureau of Economic Analysis

Consumer spending is out-stripping income growth + inflation. Assume there is stimulus money flowing through the economy? How long will that last? When will the market correct? When will people start spending less? (concern about savings, etc)

Source: First Trust Advisors L.P.



Where To Focus Improvement

Supply Chain woes are not going away soon

Actions can be taken to alleviate pain now and for the future to come

Understand Your Balance Sheet and How To Influence It



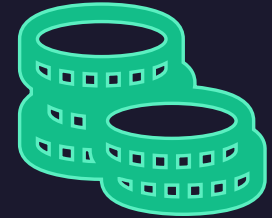
Implement data-driven inventory analysis and stock-level setting. Define “optimal” inventory levels with continuous review of the data



Invest in better visibility to inventory, MRP and establish the right metrics



Get better at understanding what drives the need for inventory and take actions to course-correct timely



Keep in touch with your finance team on their expectations for balance sheet management

Get Better At Supply Chain Planning



Bolster Demand Planning – incorporate more “demand sensing” by improving sales and demand insights instead of using only historical or statistical data



Shift from Made to Stock to Made to Order or Assemble to Order. Customers are already expecting delays and extended leadtimes – take advantage



Enable your systems to drive efficient work, data-driven insights, and early detection of supply chain changes



Ensure your product development teams are partnering early with Planning & Sourcing/Procurement so they are taking purchasing challenges into account

General Best Practices

Try not to be single-sourced on any materials. If you must be, ensure your vendor relationship is managed as a strategic partnership

Leverage Delayed Customization to reduce the need for stocked SKUs

Don't be married to initial metrics: Only measure what's relevant and be prepared to add and/or remove metrics

Sourcing

Portfolio Management

SKU Rationalization

Define Metrics

Leverage Metrics

Review the portfolio of Finished Goods to ensure all SKUs drive value for your customers and profit for you. Review Raw Materials for opportunities to “lean-out” the portfolio

Determine the right metrics for your business. Define the Vision, Strategy, and then operational metrics that drive performance, then team-level metrics

Pivot Your Organization To Act Quickly and Efficiently



Implement a fast-acting “SWAT” team to address issues that arise; enable them to make decisions and take actions



Improve communication throughout the organization. Important information should flow easily from the executional level to the executive level



Separate Strategic activities from Operational activities within teams, where possible. When all roles have Strategic and Operational work, execution will come at the cost of strategic value



Stop seeing SC as a cost-center and start treating as an asset: Invest in people, technology, process, and automation (physical and technological)

Questions?

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