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# The Biggest Supply Chain Management Challenges and How to Help Fix Them

Supply chain management is more challenging in a global economy where suppliers are spread across the world. These strategies will help you solve some of your top challenges.

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Despite new technologies that help optimize the supply chain and control costs, effective supply chain management becomes more complicated in a global and digital economy.

Manufacturers and retailers are capitalizing on new opportunities like automation and expanded supplier choices. But at the same time, the digital factory boom and an interconnected supply network are adding new risks and complexities.

Consider the following insights on five of the biggest supply chain management challenges.

## 1. Making sense out of data

The skyrocketing volume of data that businesses across all industries collect leads to data-driven decisions that improve all business aspects. The supply chain is no exception.

“As we have much more data in all the systems, we can start doing … much better forecasting and much better optimization of prices,” says Mike Callender, executive chairman for the REPL Group, a world-leading technology consultancy that specializes in workforce and warehouse management and works with smaller to global retailers and manufacturers.

“As you move data quicker and have more visibility within the supply chain, you can make quicker decisions so you can reduce your lead times,” he says.

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> *—Matthew Stammer, vice president of marketing, Taulia*

The result for manufacturers is not only less cash tied into raw materials and inventory, but also reduced warehousing space.

Lack of consistent and accurate data, however, makes supply chain management more difficult.

"The supply chain is becoming more connected digitally, which is reducing some of that risk, but it still needs to be quality data," Callender says.

Using automation—technology like API (application programming interface)—improves data quality. Callender also recommends working with the suppliers across the entire supply chain to ensure data is correct and consistent.

## 2. Optimizing staffing

The move to boost minimum wages puts pressure on manufacturers and retailers to follow suit. That's in addition to many states introducing higher minimum wages.

According to the Economy Policy Institute's minimum wage tracker, 27 states and Washington, D.C. have increased their effective minimum wage since January 2014 (as of Jan. 8, 2019). Additionally, 41 cities and counties have gone beyond their state's minimum wages.

"As we see minimum wages come into effect, it's forcing people to do much better predictions about their demand for employees," Callender says.

Businesses have to spend more time to solve demand fluctuations as well as accommodate for seasonal changes with the right mix of staffing resources in their warehouses.



"You need to have a mixture of permanent, full-time staff and contingent staff to have the flexibility with your workforce," Callender says.

Warehouse automation is another solution. Callender expects to see it more in medium and large warehouses, and says it's best to automate "in small chunks."

"Maybe automate just the physical packing or transport from the pick line to the dispatch line, and choose a certain product or certain area of the warehouse," he says.

## 3. Controlling operating costs

Rising freight costs, labor and commodity prices, among other things, continue to put pressure on cost controls. On the retail size, one way to reduce shipping is by optimizing warehouse locations, says Brendan Heegan, founder of Boxzooka, a fulfillment and global e-commerce company.

As one example, Heegan says the market for high-fashion or luxury goods is on the coast while low-priced, commodity-type goods are more in demand in the middle of the country.

"If you know that much going into the game, then you would position your distribution on the East Coast if you're a luxury retailer, and if you're selling more commodity products, you may be better off in Ohio or Illinois to have cheaper shipping costs to your customers," he says.

He also notes that simple savings can add up fast. Even eliminating some sales flyers or making a package half an inch smaller could result in hundreds of thousands of dollars saved in postage in large-scale shipments.

Outsourcing fulfillment is becoming more common, and Heegan says that especially makes sense for smaller businesses.

"The rent, insurances, labor, utilities and other costs that go with opening a brick-and-mortar facility, even a small one, can easily run away for a retailer that's trying to scale and grow," he says.

## 4. Streamlining working capital

While giving manufacturers and resellers access to higher-quality goods at better prices, the globalization of the economy has also lengthened the supply chain. Other factors like a credit crunch or high interest rates have also played a role.

The inability to manage the cash movement through the supply chain—both for themselves and for their suppliers—can lead to downfall for some companies, says Matthew Stammer, vice president of marketing for Taulia, which provides payment processing solutions.

"The companies that are creating winning strategies are those that not only optimize the movement production and movement of goods in supply chains but also optimize the movement and allocation of cash," he says.

He adds that higher interest rates in a more robust economy can add more risks.

"Solutions like supply chain finance can play an important part in mitigating these risks," he says.

## 5. Reducing security risks

The digitally connected supply chain, while a boon for data-driven decisions, has created a problem entirely new to supply chain management: a risk of data breaches and compromised sensitive information.

In 2019, large-scale cyberattacks are in the top five global risks in terms of likelihood, and seventh in terms of impact, according to the World Economic Forum's 2019 Global Risks Report. Of 916 respondents across a broad range of sectors, 82 percent expected cyberattacks to result in increased risk to data theft, and 80 percent to disruption of operations.

Third-party risk was a defining issue of 2018 because almost all biggest breaches resulted from a company's compromised partner, says Alexander Heid, chief research and development officer at SecurityScorecard, which offers a security-ratings platform.

"The interconnected nature and default trust between organizations creates an ecosystem whereby attackers can tunnel and thrive through the exploitation of 'the weakest link,'" he says.

Reused passwords and poorly designed or secured web applications linked to confidential databases are among the weaknesses that hackers can exploit.

"The bulk of major breaches over the last two years started from access gained via password-reuse attacks, as more than 12 billion credentials have been leaked and circulated in the hacker underground," Heid says.



"While a company may be confident that they are doing everything they need to do in order to secure their digital assets," he says, "it must rely on much more than hopeful thinking when it comes to the security postures of each individual entity they do business with going down the supply chain."

*Photo: Getty Images*

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