

COVID-19 highlights the importance of agility for supply chains

April 7 2020, by Tim Kraft



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The recent COVID-19 crisis has highlighted a fundamental concept in business operations strategy that's called "Triple-A Supply Chains." The idea is about 15 years old, and many people outside of the supply chain

world are probably unfamiliar with it, but it has never felt more relevant.

The Triple-A Supply Chains concept was proposed in the early 2000s by Stanford's Hau Lee, who observed that having a fast and cost-effective supply chain did not necessarily lead to a [competitive advantage](#). In fact, many companies with fast and cost-effective supply chains saw their competitive position deteriorate over time.

So what gives?

Lee noted that the supply chains that provided companies with a competitive advantage displayed three traits: agility, adaptability and alignment.

Lee's observations were primarily from a market performance perspective. However, the insights ring true in the present-day environment of COVID-19 (not to mention tariff wars, global warming and the numerous other disruptions occurring in supply chains).

Let's look at what those three As stand for.

Agility refers to the ability to react to sudden changes in demand. It is a lesson supply chain managers across all industries are currently experiencing as they work to meet unforeseen spikes in demand while simultaneously dealing with shortages in supply created by COVID-19.

Take, for example, the [grocery](#) industry. While consumers may worry that the empty shelves in their [grocery stores](#) suggest the food supply is at risk, I'm confident in our grocery supply chains. They are some of the most stable and resilient supply chains in any industry. It's important to recognize that the grocery industry faced an unprecedented spike in demand in March from (1) consumers over-purchasing out of fear and

(2) the large shift from dining out to at-home eating. The fact that you are able to go to the store and find 75 percent of your grocery list is a testament to the agility of grocery supply chains. Demonstrating the ability to seamlessly source products from multiple locations, perform necessary and rapid transshipments between stores, ration products by regions and locations, and expedite shipments are all signs of an agile supply chain.

Adaptability reflects the ability of a supply chain to adjust to a changing marketplace. Consider, once again, the grocery industry. Over the past decade, grocers have battled to see who would prevail as the market leader for online grocery. Many ideas have been funded for figuring out how to complete the mythical "last-mile" delivery to homes. And many ideas have failed.

For example, grocers have tried a range of methods, including store pickups, third-party and peer-to-peer delivery, and third-party centralized delivery sites. While the potential revenues from online grocery sales have always been enticing, very few grocers have been able to figure out a customer-friendly model that also has a decent profit margin. With the rise of COVID-19, grocers no longer have the benefit of time to test different delivery models. The pandemic has dramatically accelerated consumer adoption of online grocery shopping, potentially with lasting effects. Grocers have no choice but to adapt their business models and delivery methods in real time to solve the online delivery problem, as many customers are rapidly switching to online grocery delivery.

Alignment occurs when the interests of retailers, suppliers and manufacturers in the supply chain are aligned such that their individual decision-making helps to optimize the supply chain's performance. An example of alignment is when a retailer that focuses on quality works with its upstream suppliers to improve their processes and quality output

(rather than, for example, applying pricing pressure which can cause suppliers to take cost-cutting measures and reduce quality).

With COVID-19, we are seeing unprecedented collaboration among companies, to an extent typically reserved for states of dire need such as times of war. Collaboration in supply chains is not something that comes easily, nor can companies turn it on like flipping a switch. It takes time to build trust and working relationships with upstream suppliers. While the current crisis is pushing stakeholders in supply chains to work together (see, for example, medical device supply chains), the collaborations that will be most successful in reacting to the crisis are the ones where cooperative, working relationships already exist. This is because the means for information and knowledge sharing is already established, and the objectives between upstream suppliers and downstream businesses in the supply chain are already aligned.

There have been, and will continue to be, many hard lessons learned in the world of [supply chain](#) management from COVID-19. One of those lessons is a sharp reminder that agility, adaptability and alignment win the day.

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