

# 2023: REALIZING YOUR BEST SUPPLY CHAIN RETHINK. REMAP. RETOOL.

CGS ANNUAL REPORT: SUPPLY CHAIN TRENDS & TECHNOLOGY



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# WELCOME



**Paul Magel,**  
Business Applications and Technology  
Outsourcing Division, CGS

**W**elcome to the 2023 CGS Supply Chain and Technology Trends report. With this annual report, we step back and evaluate vital signs of our customers and the fashion, consumer goods and retail industries we serve. We synthesize inputs from a quantitative survey, our daily work with thousands of clients and 40 years of experience. We report back to you, our valued readers, on key takeaways we hope will inform, interest and benefit your business in 2023.

Supply chain remains in spotlight for many businesses. In our fast-paced, consumer-driven industry, sales opportunities are won and lost every season, if not every minute, based on a supply chain's ability to deliver. Deliver what? Yes, it's the age-old but still applicable answer: right product, right time, right place, right price, right quality. With heightened emphasis on sustainability, we easily might add "right supply chain visibility." You'll read more on this unfolding reality in this report. >

➤ Now is the time to invest in your business, especially in supply chain digitalization. Why? Our industry research points to four key reasons:

**1. Visibility:** A slowdown in demand has eased some supply chain disruptions, such as the extremely high demand and constrained supply of 2021 and major logistics and transportation issues of 2022. This lull presents an opportunity to rethink and retool business processes, particularly to achieve supply chain visibility needed for forthcoming ESG regulatory requirements.

**2. Automation:** Labor costs are high and skilled workers in short supply, making it the ideal time to invest in automation. From the sewing room to the distribution center to the IT department, there is opportunity to leverage technology to gain efficiency and do more with fewer resources.

**3. Competitiveness:** The need to get an edge over your competition is always in vogue. Companies that lean into technology investment now will be in a better

position to create and deliver products faster, better and more cost effectively than their rivals.

**4. Cybersecurity:** Unfortunately, cyber criminals grow more sophisticated every day, and so retailers and their suppliers must do everything possible to stay ahead of the bad actors. CGS has made a significant investment to ensure our customers and their mission-critical business information are safe and secure. We have the expertise to conduct security assessments and remediate risks across your IT infrastructure.

While the past few years have taught us we cannot always plan for the future based on the past, these interesting times also have proven the power of innovation, resiliency, adaptability and can-do spirit. This is the time to double down. If you are confident in your business and you want to come out of 2023 more competitive, now is the time to invest in business process improvement and supply chain digitalization. ■

*“Our annual report combines quantitative survey data, our daily interactions with thousands of clients, and forty years of collective experience to create a highly informative, engaging document that provides value to the industry.”*

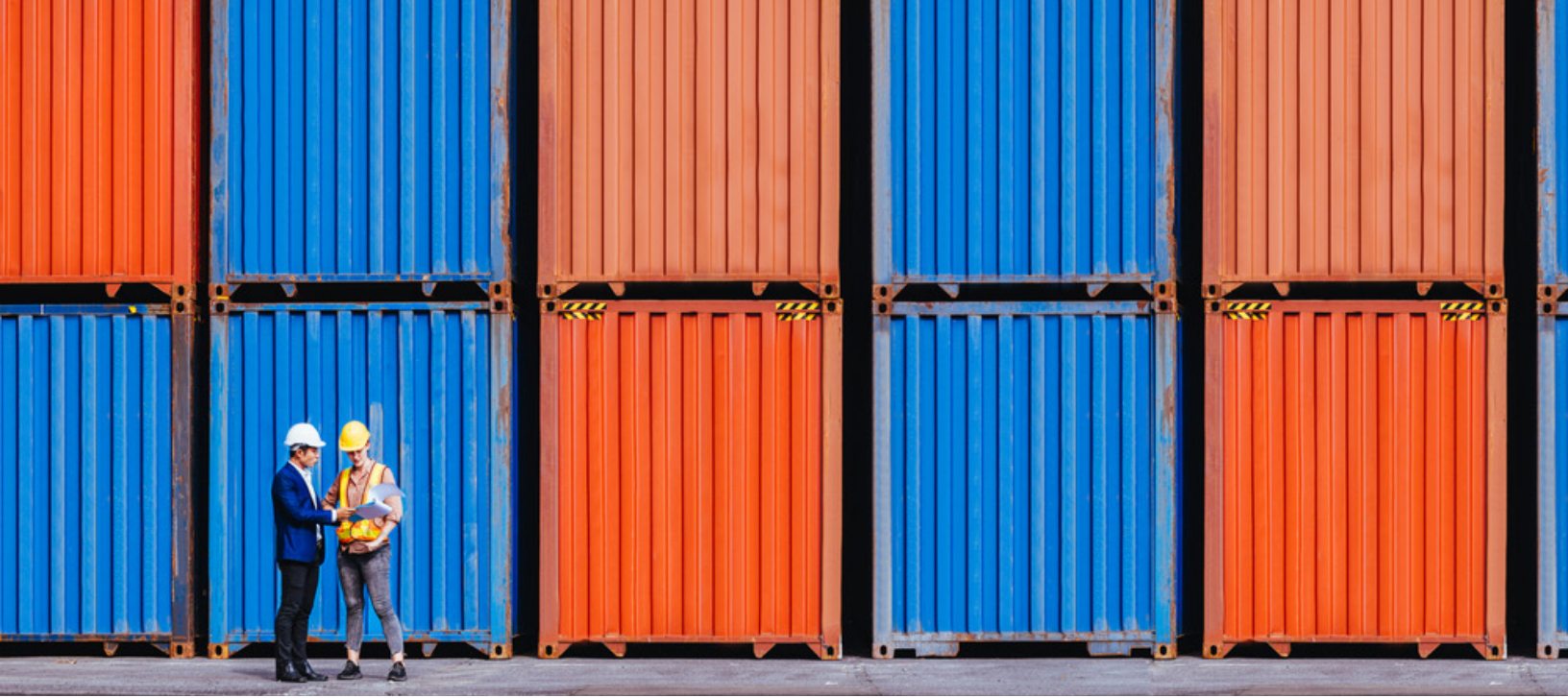
*Paul Magel*



# WHAT YOU WILL LEARN FROM **THIS REPORT**

This report compiles feedback from approximately 350 of your peers, including professionals from the C-suite, operations, finance, sourcing and supply chain management, product development, retail operations, IT and e-commerce. Sixty-two percent either make or influence supply chain operations. Twenty-six percent contribute to supply chain operations. Here are eight core insights from their responses:

- 1 eCommerce/Digital/Online Sales:**  
Remained the No. 1 growth opportunity in 2023 as it was for our survey respondents heading into 2022.
- 2 Sustainability/Environmental/Social Initiatives:** Leapfrogged from the sixth-most important growth opportunity to the second-most important.
- 3 Inflation/Economic Uncertainties, Labor Shortages/Costs, Price Pressure:**  
Ranked as the top three challenges facing businesses.
- 4 Reducing Costs:**  
Scored as the No. 1 2023 improvement priority for 20 percent of respondents. For another 10 percent, it's improvement priority No. 2.
- 5 Supply Chain Confidence:**  
Sixty-three percent of respondents have "moderate confidence" in their supply chains, 23 percent have high confidence. Almost 14 percent reported low to no supply chain confidence.
- 6 Supply Chain Visibility:**  
Fifty-seven percent plan to improve supply chain visibility in 2023.
- 7 Digital Transformation:**  
More than 70 percent of respondents either have or plan to implement technology to support process digitalization, including PLM, ERP, inventory management, demand planning, supply chain tracking and logistics management.
- 8 Strengthening Supply Chain Relationships:**  
Cited as the No. 1 action taken or planned to overcome supply chain challenges.



# THE STATE OF SUPPLY CHAIN

**G**lobal supply chains have stabilized somewhat compared with 2020-2022's wild ride, but that doesn't mean the new normal is steady as she goes. The early January 2023 update to the Federal Reserve Bank of New York Global Supply Chain Pressure Index (GSCPI) said:

- Global supply chain pressures decreased moderately in December, disrupting the upward trend seen over the previous two months.
- The largest contributing factors to supply chain pressures were rises in Korean delivery times and Taiwanese inventories, but these were more than offset by smaller negative contributions over a larger set of factors.
- The GSCPI's recent movements suggest that developments in Asia are slowing down the index's return to normal historical levels." The GSCPI reflects trends across multiple

industries, but it's an important barometer, and one that indicates continued need for resiliency, agility, diversification, visibility and stronger supplier relationships in fashion, consumer goods and retail supply chains.

Supply chain challenges in recent years have spurred intense interest in supply chain resilience and technologies to digitally transform traditional processes. *"Today's levels of disruption in global supply chains and price inflation have transformed existing notions of resilient operations. Challenges such as those from active conflict, severe weather, cybercrime, trade policy uncertainty and other risks, make improving supply chains' resilience a key priority,"* said Noha Tohamy, Gartner vice president in a statement [published by Material Handling & Logistics](#). *"At the same time, the pressure to manage traditional key performance indicators, such as cost still remains." >*



► Business Insider covered a National Retail Federation (NRF) Big Show executive panel discussion that included Macy's chairman and CEO Jeff Gennette. *"The constant shifts in consumer behavior have Gennette on his toes,"* the article said. Addressing Big Show attendees, Gennette said, *"It's a point to say, be cautious. But be ready to pounce when opportunities and signals present themselves,"* [Business Insider reported.](#)

Gennette said Macy's has "totally redone" its supply chain in recent years, reducing dependence on China and shifting to more duty-free countries, according to Business Insider. Macy's also created 35 regional warehouses in unusable store space to control costs, the article said.

Nicaraguan apparel manufacturer Confexsa sees strong interest in Central American sourcing as U.S. retailers, brands and manufacturers seek flexibility, speed and peace of mind from producing close to home. Confexsa President and Owner Roberto Bequillard expects nearshoring activity to grow over the next five years in Nicaragua, where apparel manufacturing is the nation's largest industry, making up 23 percent of gross domestic product (GDP), according to CGS white paper ["How to Build Better Supplier Relationships While Boosting Efficiency."](#)

Fashion wholesalers such as Komar Brands are making sourcing decisions based on factors far beyond freight-on-board cost. Komar, like others, considers nearshoring, said the Sourcing Journal article ["For Gap and Komar, Sourcing Cost Isn't the Only Concern."](#) *"All of a sudden, nearshoring*



*and finding factories closer to home have a whole new meaning,"* said Komar vice president of production and sourcing Yelena Mogelesky. *"Can I afford to pay a little bit more but ship quicker? And sometimes that answer is yes."*

Gap vice president of global quality Alex Thomas said the retailer limits the percentage of production allocated to any particular region or nation, thereby mitigating risk. The retailer also looks hard at how potential suppliers' values align with Gap corporate values and whether suppliers have a *"culture of wanting to improve,"* Sourcing Journal reported. *"We have as many factories as we deactivate or we reject as we onboard,"* Thomas said. ■

# 2023 OUTLOOK

## “A CASE FOR CAUTIOUS OPTIMISM.”

These words offer a measure of encouragement to inflation-weary fashion and consumer goods manufacturers, brands and retailers. The words hold weight because they were the title of a [Jan. 20, 2023, speech by Christopher Waller](#), governor, Board of Governors of the U.S. Federal Reserve System. “We have made progress,” Waller told a Council on Foreign Relations gathering in New York City. “Six months ago, when inflation was escalating and economic output had flattened, I argued that a soft landing was still possible—that it was quite plausible to make progress on inflation without seriously damaging the labor market. So far, we have managed to do so, and I remain optimistic that this progress can continue.”

In November 2022, The Business of Fashion and McKinsey & Co. released their annual [The State of Fashion report](#), which provides an in-depth look at global fashion industry trends. “Looking ahead to 2023, the drivers contributing to a broad state of global fragility are top of mind for fashion executives. In the BoF-McKinsey State of Fashion 2023 Survey, 85 percent of fashion executives predict inflation will continue to challenge the market. Meanwhile, geopolitical tensions, specifically around the ongoing war in Ukraine, have disrupted supply chains and created an energy crisis that 58 percent of executives also believe will weaken the fashion market,” said the report. >



# 2023 OUTLOOK

► “In aggregate, McKinsey expects global fashion sales growth of 5 percent to 10 percent for luxury, and negative 2 percent to positive 3 percent for the rest of the industry in 2023, while the dichotomies that previously defined the fashion business are expected to return,” the report said. “Beyond the differences between luxury and players from other segments, regional differences will be pronounced. The U.S. economy, despite the slowdown, is expected to be more robust than other major global economies – Covid-19 outbreaks and precautions continue in China, while Europe suffers from an energy crisis and a weakened euro against a strong US dollar.”

In the U.S. market, 2022 holiday shopping results provide insight into how and where consumers opened their wallets – or did not – amid high inflation and economic uncertainty. Holiday sales grew 5.3 percent year-over-year, reaching \$936.3 billion, according to the [National Retail Federation’s \(NRF\) holiday recap](#).

Within this sales total, NRF reported:

- Online and other non-store sales **↑ 9.5%**.
- Grocery and beverage stores **↑ 7.8%**.
- General merchandise stores **↑ 3.8%**.
- Sporting goods stores **↑ 3.5%**.
- Health and personal care stores **↑ 2.8%**.
- Clothing and clothing accessory stores **↑ 2.2%**.
- Building materials and garden supply stores **↑ 1.5%**.
- Furniture and home furnishings stores **↓ 1.1%**.
- Electronics and appliance stores **↓ 5.7%**.

## The question on many minds: Will consumer shopping behavior shift in 2023?

“We knew it could be touch-and-go for final holiday sales given early shopping in October that likely pulled some sales forward plus price pressures and cold, stormy weather,” said NRF Chief Economist Jack Kleinhenz. “The pace of spending was choppy, and consumers may have pulled back more than we had hoped, but these numbers show that they navigated a challenging, inflation-driven environment reasonably well. The bottom line is that consumers are still engaged and shopping despite everything happening around them.”





# CGS EXECUTIVE INSIGHTS: STRENGTHENING SUPPLY CHAINS, OPENING OPPORTUNITIES

**S**upply chain partnerships improved in 2022 as traditional buyer-seller relationships gave way to greater communication, collaboration, information sharing and mutual respect. Supply chain digitalization also advanced, with a sharp increase in technology deployments to improve visibility for stakeholders such as retailers, brands, wholesalers, manufacturers, raw materials suppliers and regulators.

Still, embarking on 2023, there is significant opportunity for improvement and more work needed to extend visibility deeper into supply chains and take reporting and analytics to higher levels, according to Paul Magel, president of the CGS Business Applications and Technology Outsourcing Division.

## Winners Take Risks, Pushing Against Headwinds

Magel summons an analogy to the game of rugby when he talks about how to win new business and grow profitably despite 2023 inflation, price pressure and continued risks for supply chain disruptions. “It’s always basic blocking and tackling,” he said. “Sometimes it’s easier to block and tackle when you’ve got no one in front of you. When someone’s in front of you, you’ve got to change things, drop your hips a little, change your balance and push a bit harder. But you don’t stop pushing just because someone’s in front of you. You push harder.” >



“Some companies start going the other way, investing less on supply chain relationships and technology based on the conditions on the field,” he said. “But the winners know that when they’ve got a headwind blowing on their center of gravity, they’ve got to work harder, not pull back, to make progress.”

## Successful Businesses Respond Rapidly to Demand

Another key to success in 2023 will be responsive speed to market with the right products to meet consumer demand. Nearshoring and on-demand manufacturing will play increasingly important roles in companies’ sourcing strategies. “Everyone’s trying to figure out how to make it now vs. six to nine months in advance,” Magel said.

Inventory management is in the cross hairs as always, especially given how inventories came up short in 2021 and then too heavy in 2022 for many. “Now executives are working on what to buy for the next season so that they don’t get caught short or over buy. They are looking at how they can increase their sourcing network to get quicker turns. It’s not just about chasing the cheapest needle. If demand picks up, they want to replenish from nearshore suppliers,” Magel said.

Drawing on another analogy, Magel compares 2023 demand planning challenges to learning to drive. For years, the conventional wisdom in learning to drive a car was to look out the windshield a hundred yards ahead so that you’re not surprised at what’s coming down the pike. “Today, if you’re not looking just over the hood, you’re going to run into something because the world is changing that quickly,” Magel said. “You don’t have 100 or 200 yards of visibility into what’s going to happen. You’ve got to look much closer in, and to do that, you’ve got to be nimble.”

To achieve this nimbleness, businesses must know exactly where everything is in the supply chain. “The only way to do that is to digitize your supply chain,” he said. “Then you have real-time information about your goods, production and shipments. When that next disruption comes, the only way you can react quickly is if you have this visibility, and then you can reroute, reorder or rebook.”

## Justifiable Technology to Connect the Dots and Deliver ROI

Along these lines, connectivity and integration projects will be a priority in 2023. Companies want to “open up and augment” the technology solutions they have in place, leveraging application programming interfaces (API), seamless data sharing, business intelligence and decision-support systems to achieve their business goals. Each company’s objectives are unique. There is no one-size-fits-all approach to digital transformation. The important thing is to start where it makes sense for your business. For some, the focus will be on improving sourcing and supply chain visibility. For others, the greatest priority is to connect to more e-commerce solutions and marketplaces. Yet others want to do a better job on allocation, fulfillment and replenishment. In all of these cases, systems integration is crucial to fill process and information gaps, connect the dots across different software solutions and stakeholders, all the while minimizing risk and delivering the fastest ROI.

“No one should do technology for technology’s sake,” Magel said. CGS mantra has always been about justifiable technology. We work with our customers to understand their business priorities, and we make sure the process improvements and technology solutions we recommend have a business justification. Ultimately, technology must solve clients’ complex issues and enable them to meet future challenges with confidence and effectiveness. ■



# GROWTH OPPORTUNITIES: SUSTAINABILITY SURGES UP THE AGENDA

Second Only to Digital Sales as Most Important for 2023 Growth

2023		2022
Ranking <b>1</b>	eCommerce/Digital/Online Sales	<b>1</b> Ranking
<b>2</b>	Sustainability/Environmental/Social Initiatives	<b>6</b>
<b>3</b>	Diversification in New Market Segments/Channels	<b>N/A</b>
<b>4</b>	Product Category Expansion	<b>4</b>
<b>5</b>	International Expansion	<b>5</b>
<b>6</b>	Brick and Mortar/Physical Stores Sales	<b>7</b>
<b>7</b>	Mergers & Acquisitions	<b>8</b>

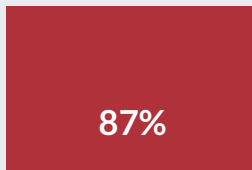
346 Respondents

N/A = Not applicable. Answer option not included in prior year's survey.

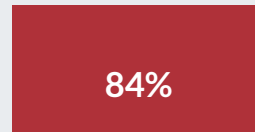
## TOP 3 GROWTH OPPORTUNITIES

% of Respondents Who Consider This "Very Important" or "Important" 2023 Growth Opportunity

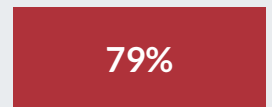
**#1**  
ECOMMERCE/  
DIGITAL/ONLINE SALES



**#2**  
SUSTAINABILITY/  
ESG INITIATIVES



**#3**  
DIVERSIFICATION  
IN NEW MARKET  
SEGMENTS/CHANNELS





**S**elling online is still the greatest growth opportunity for most survey respondents, as it was in 2022. Significantly, environmental, social and governance (ESG) rose to the No. 2 growth opportunity, leaping up from sixth place in our 2022 ranking. Consumers clearly care about sustainability, and companies are taking ESG issues seriously, knowing their reputations and sales growth depend on it.

Also noteworthy are the year-over-year (YOY) percentage-point upticks in the number of respondents who see brick and mortar/ physical stores and international growth as growth opportunities in 2023. While not enough to move the needle much in overall rank, these results reflect increased confidence in connecting with consumers through in-store shopping experiences and internationally. ■

## SNAPSHOTS

- Digital sales remain the No. 1 growth opportunity for survey respondents for the fifth consecutive year. It's no wonder, considering digital sales in the United States alone exceeded \$1 trillion to top out at \$1.09T in 2022, up 21 percent year-over-year, according to Comscore's latest Digital Commerce Measurement research. It was the highest year for U.S. digital sales ever, and Q4 2022 was the biggest quarter in history for digital sales.

- Apparel and accessories earned a robust \$175 billion of 2022 digital sales, behind only the grocery/ baby/pet category, which took the No. 1 spot from apparel/accessories in Q1 2020 and has held it ever since, Comscore reported. That was when COVID 19 prompted consumers to start ordering just about everything online. It's a behavior that shows no signs of stopping or even slowing down. Mobile e-commerce was growth twice as fast as shopping by desktop computer.

- Still, digital sales surges are not the only growth story expected to keep playing out in 2023. Sustainability has catapulted to the top of the business growth radar. Consider that from 2019-2021, sustainability was at the bottom of our survey respondents' improvement priorities, much less seen as a growth opportunity. In fact, we did not offer it as an answer choice for "growth" until our 2020 survey. Now sustainability/ESG holds the No. 2 spot for both growth opportunity and improvement priority. What a difference four years and shifting consumer sentiment make!

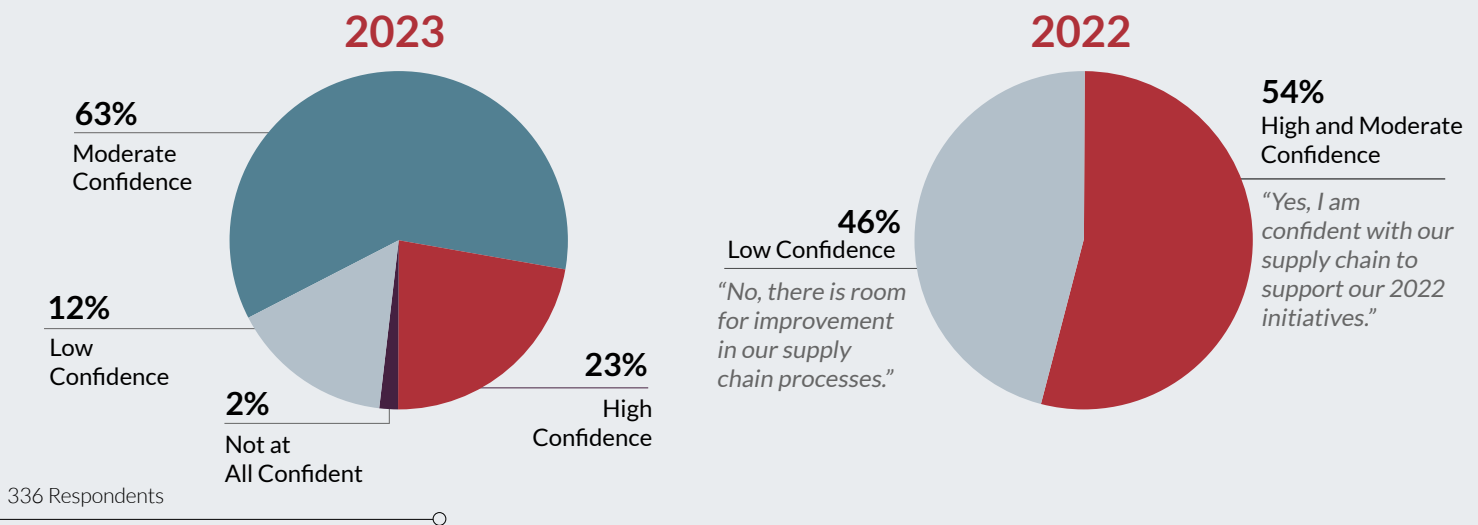




# BENCHMARKS

## SUPPLY CHAIN CONFIDENCE

Rate your level of confidence in your end-to-end supply chain to support your 2023 business growth initiatives



Supply chains have been put to the test in the past three years. First, 2020’s initial pandemic impacts, uncertainties and disruptions. Next, 2021’s huge transportation hurdles, outsized demand and limited supply. Then, 2022’s supply misalignment with demand, heightened labor crunch and inflation.

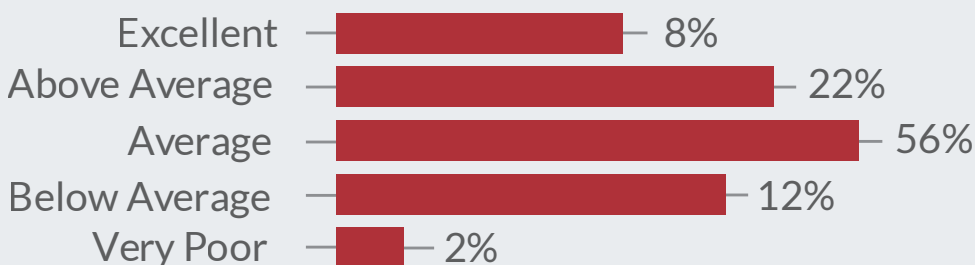
Enter 2023, and supply chain confidence is stronger. Our survey results reveal the shifting ratio of confidence “haves” and “have nots” year-over-year. Heading into 2022, the confident camp slightly

outnumbered those nervous about their supply chains. Eyeing 2023, it’s a different story. More than 86 percent have high or moderate confidence, while only 14 percent have low or no supply chain confidence. This positive trend toward greater supply chain confidence reflects investment in supply chain diversification, technology/digitalization and supplier relationships. Still, there is room for improvement. After all, would anyone tell a customer they had only “moderate” confidence in on-time shipment?



# SUPPLY CHAIN DIGITALIZATION

What is the status of your supply chain digitalization efforts?



310 Respondents

**B**usinesses need disruption-proof, resilient supply chains. It's a smart strategy to connect suppliers across the chain with automated, end-to-end technology solutions. For the first time this year, we asked survey respondents how they are doing with supply chain digitalization. This is also known as digital transformation (DT). Supply chain digitalization/DT leverages software systems to decrease manual data entry, for example. Many companies find their technology investment helps them significantly reduce phone calls and emails for order and shipment tracking. Using PLM speeds sample review. Automated fulfillment solutions streamline getting goods to retailers, online marketplaces and direct to consumer. These are

just a few DT examples. There is no one-size-fits-all. There are major incentives to “go digital” to better compete, get to market faster and operate more efficiently.

About one-third of respondents are moving right along with supply chain digitalization, with either “above average” or “excellent” progress. 56 percent consider their efforts “average,” and almost 14 percent give themselves poor grades of “below average” or “very poor.” There’s big opportunity to improve digital connectivity across these supply chains. By upping their digital game, they’ll reap improved visibility, lower costs, better communication and agile responsiveness to fast-changing fashion trends. ■





# GREATEST CHALLENGES WITH ACTIONS TO TACKLE THEM

**T**hree familiar foes continue to confront fashion, consumer goods and retail businesses in 2023: inflation/economic uncertainties, labor shortages/ rising labor costs and price/margin pressures. Citing Michael Zdinak, S&P Global Market Intelligence economist, CNBC reported, “On the positive side, unemployment is low, and the jobs market is still very tight. There are signs that inflation has cooled, with prices rising less than expected in November, the most recent month of available federal data.

“On the other hand ... food prices are still high, retail demand is weakening and savings aren’t looking as robust,” said the CNBC January 2023 article, [“Retailers brace for tougher times and more frugal customers in 2023.”](#) “Consumers are choosier with their cash flow,” said Euromonitor

in describing the “Budgeteer” consumer category in its [Top 10 Global Consumer Trends 2023 report](#). “Shoppers will reallocate spend or skimp on certain purchases to combat price hikes. Affordability and bargains often precede brand loyalty. Budgeteers will also switch to e-commerce to avoid transportation expenses and find deals. ... Saving money is top of mind. And consumers are bracing for leaner months ahead.”

Low unemployment might be a good indicator for retail sales, but on the other hand, it can make it harder to hire and retain sewing operators, warehouse workers, IT professionals, retail sales associates and other talent. Moreover, the truck driver shortage is a labor challenge contributing to cascading shipping hurdles, ranked in the top five by our survey respondents. ■

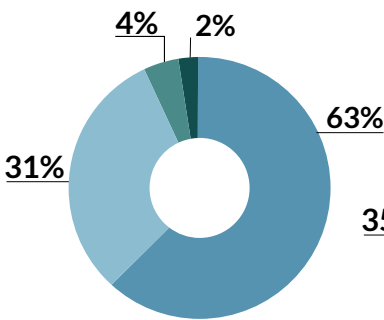


# GREATEST CHALLENGES

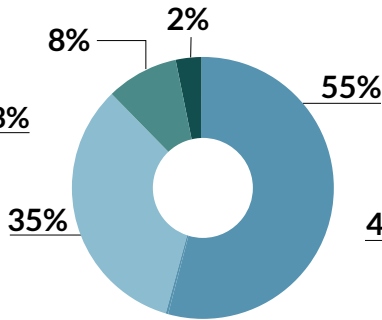
What do you see as the biggest supply chain challenges in 2023?

● Serious Problem ● Moderate Problem ● Minor Problem ● Not a Problem

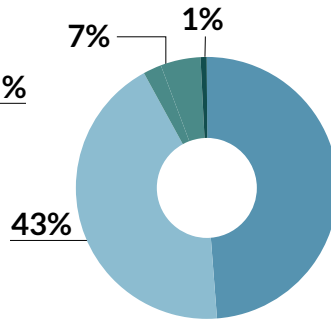
**1<sup>st</sup>** INFLATION/  
ECONOMIC  
UNCERTAINTIES



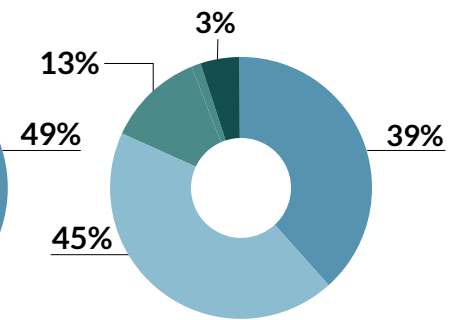
**2<sup>nd</sup>** LABOR  
SHORTAGES  
OR RISING  
LABOR COSTS



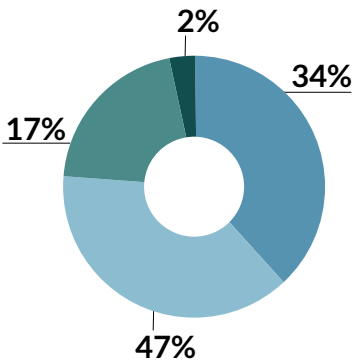
**3<sup>rd</sup>** PRICE/  
MARGIN  
PRESSURES



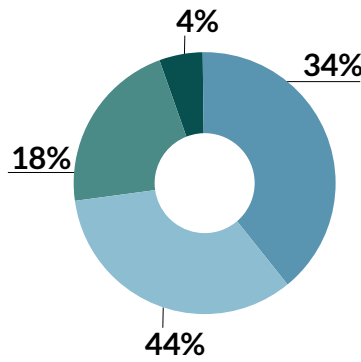
**4<sup>th</sup>** U.S. CHINA  
RELATIONS



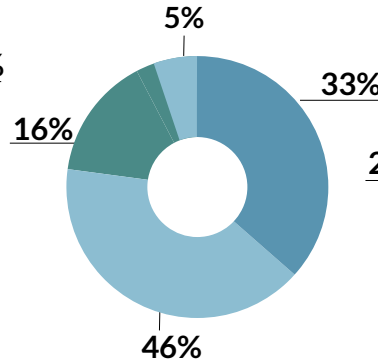
**5<sup>th</sup>** TRUCKING  
AND CARGO  
SHIPPING  
CHALLENGES



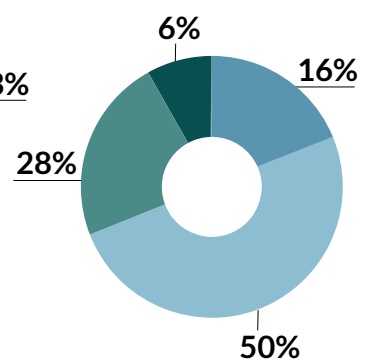
**6<sup>th</sup>** PANDEMIC-  
RELATED  
DISRUPTIONS



**7<sup>th</sup>** SUPPLY  
CHAIN  
DISRUPTIONS  
DUE TO WAR



**8<sup>th</sup>** DIVERSIFICATION  
IN NEW MARKET  
SEGMENTS/  
CHANNELS



343 Respondents



## GETTING ON TOP OF SUPPLY CHAIN CHALLENGES

**B**usiness leaders are not sitting on their laurels as they face 2023's toughest challenges. Manufacturers, brands and retailers alike are strengthening supply chain relationships, improving supply chain visibility and sharpening their demand planning. Robust action also is happening on the sourcing scene, with over 80 percent of respondents saying they have or will be diversifying materials and components sources and over 70 percent investing or planning to invest in nearshoring to be closer to consumer markets. Investment in digital transformation and omnichannel fulfillment also is strong. Executives see value in end-to-end connectivity, seamless data handoffs and real-time visibility to products, production, performance and people in their supply chains.

"Stepping into 2023, it is to be expected that certain activities that we saw in 2022 are going to continue," said The Interline in ["2023: Powered by Practicality."](#) "The first is that consumers' willingness to engage with brands appears to be at an all-time

high. For brands, this provides a host of opportunities for connecting with customers, experimenting with non-traditional means of advertising, and data-driven insights into constantly shifting consumer demand. Other factors also remain at play, such as the volatility of the global market, and its potential to affect material sourcing, securing factory capacity, controlling costs and more.

"The Interline believes that technology will be instrumental to helping brands, retailers and their suppliers to both cope with challenges carried over from 2022 and to capitalize on new opportunities presented by a new year," the report said. Among these challenges and opportunities are "augmented reality (AR) and artificial intelligence (AI), heightened sustainability requirements and the pressing need to scale digital product creation. The year ahead is likely to be defined by practical implementation of the bold ideas and strategies put in place during the disruption of the last few years," the report said. ■

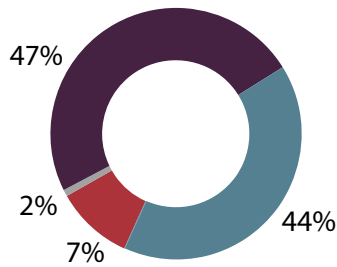
# GETTING ON TOP OF SUPPLY CHAIN CHALLENGES

## ACTIONS TAKEN OR PLANNED:

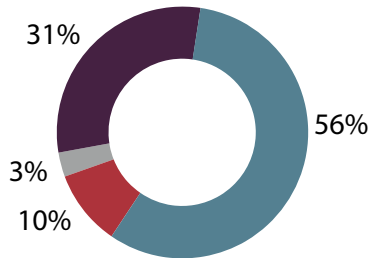
What actions have you already taken or plan to take to overcome supply chain challenges?

● Actions Already Taken ● Actions Planned ● Not a Priority ● Others

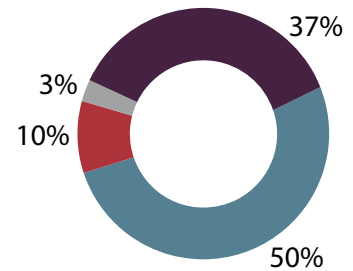
### 1 STRENGTHEN SUPPLY CHAIN RELATIONSHIPS



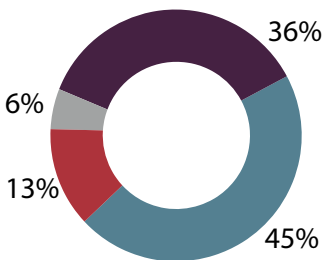
### 2 IMPROVE SUPPLY CHAIN VISIBILITY



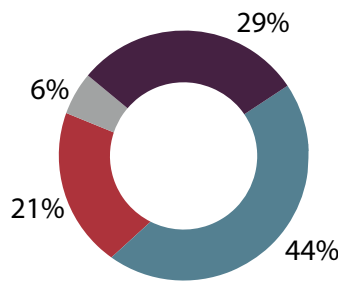
### 3 IMPROVE DEMAND PLANNING



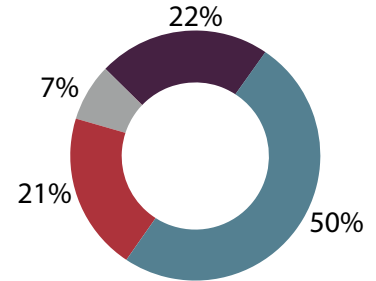
### 4 DIVERSIFY MATERIALS/COMPONENTS SOURCES



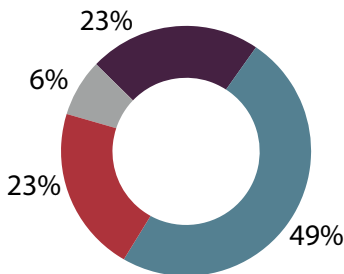
### 5 INVEST IN SOURCING CLOSE TO CONSUMER MARKETS (NEARSHORING)



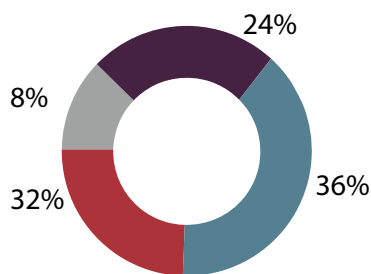
### 6 DIGITALLY TRANSFORM SUPPLY CHAIN OPERATIONS



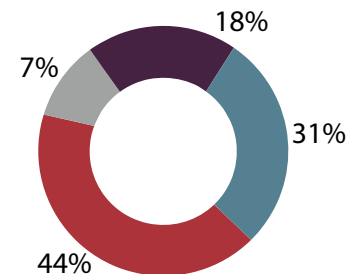
### 7 ENHANCE OMNICHANNEL FULFILLMENT EFFICIENCY/PROCESSES



### 8 INCREASE STOCK (INVENTORY) LEVELS



### 9 INCREASE AUTOMATION/ROBOTICS



310 Respondents



# RENWIL'S HOME DÉCOR SUCCESS RELIES ON STRONG SUPPLIER RELATIONSHIPS



**W**ith more than 55 years as a leading home décor supplier, Renwil has ridden waves of decorating trends, market surges, disruptions and fluctuating demand. Still, like many in the retail supply chain, the business does not have a crystal ball read on how 2023 is going to go.

Renwil is doing what it can to be ready. First and foremost, it is focusing on supply chain relationships, where the Canada-based company sees advantages for greater understanding and transparency. The home furnishings specialist also wants to improve business intelligence/ analytics, better leveraging and sharing data, from retailers to suppliers.

## Past to Present: Keeping Art at the Heart

Renwil offers a compelling value proposition to its customers: original artist-inspired décor. Allen Wilner founded the business on the belief that “art should not be limited to galleries and museums, but fill the walls of our home, surrounding us with beauty and inspiration.” Fifty-six years later, his sons Jonathan and Ryan Wilner ensure their father’s core belief remains at the heart of Renwil’s vision and mission. In fact, Jonathan is an artist and has led the firm’s design team for the past 23 years. Renwil employs in-house artists and product developers and it partners with guest designers for original pieces. ➤

- From stools and shelves to pillows, lamps and mirrors, this original artistry shows across Renwil's product line. Yet the business also keeps its art-inspired works accessible. Its minimum order quantities are low, and it modifies designs to fit customers' budgets, desired décor and requirements. The Renwil Signature Collection includes more than 2,000 SKUs of original artwork-inspired stock products available for shipment within 48 hours. The company maintains a 95 percent in-stock service level. Beyond this, Renwil offers custom products, and modified stock. "Value engineering" is the name of the game, often demanding "co-creation" between Renwil's team, customers, and factory partners.

## Supplier Relationships: Seeking Deeper Understanding

Kevin Warren, Renwil CFO, oversees supply chain operations. Before the pandemic, Renwil's sourcing function had the mindset of a traditional purchasing team. **"If you look at the historical purchasing approach, it was, "We need 100 of this, send out the purchase order (PO) and wait for the product to come in," he said. "Now we are a supply chain team. We are focused on understanding our supplier relationships, monitoring our suppliers, and understanding the flow of goods."**

The company is investing time and effort to get to know its supply chain and improve visibility. Renwil has implemented new quality control processes, plus stronger tracking of production and shipping times. **"A lot of evolution remains, but the building blocks are in place, which has really changed us and changed the relationship we have with our suppliers,"** Warren said.



The business also is analyzing shared risks and opportunities. For example, on the risk side, Renwil and its factory partners are delving into answers to tough questions such as:

- How are suppliers adapting to the changing economic conditions?
- How do fluctuating retail demands flow down the totem pole to impact suppliers?
- How is quality affected by order increases when suppliers hire and train new operators?

## RENWIL AT A GLANCE

**Founded:** 1967

**Headquarters:**

La Salle, Montreal  
Island, Quebec, Canada

**Ownership:**

Second-generation  
family-owned

**Business:** Home décor

**Customers:** Retailers,  
interior designers, hotel  
chains, condominium  
developers

**Products:** Artwork,  
pillows, lamps, accent  
furniture, throws,  
accessories, rugs,  
bathroom fixtures,  
outdoor furnishings

**Supply Chain:** Sourcing  
primarily in China, India

**RENWIL**<sup>®</sup>  
EST. 1967

- Deeper discussions with factory partners have revealed potential opportunities, too. For instance, Renwil's radar is alerted to home décor sales opportunities in international markets where suppliers are doing business.

## Business Intelligence: Tying It All Together

Renwil also sees opportunities to strengthen supply chain relationships and overall performance with business intelligence (BI). The company wants to do a better job of merging internal data with retail data, including sharing relevant insights with suppliers. **"The challenge is trying to ensure we get fed enough retail information so that we can both improve our performance and better manage our supply chain relationships,"** he said. **"They're tied together, and the picture is not complete unless you can get the two sides and merge them together, which is not always easy."**

Stronger predictive analytics also are a priority. Renwil uses its own inventory data to manage buys and wants to better identify trends, patterns, and product life cycles and how they influence buying. The company sees significant potential to use advanced BI technology to automate and improve accuracy of demand planning. By taking analytics to the next level, Renwil expects to gain greater mastery of planning for recurring transactions. With clearer insights, Renwil and its supply chain can perform even more efficiently.

**"That's one of the things we're exploring with CGS BlueCherry<sup>®</sup>,"** he said. **"We're working to understand the CGS BI platform and how we can leverage our information better."**

As 2023 unfolds, Renwil and its supply chain partners always adapt to get the right home décor to customers at the right time and price. Warren, who coaches sports in his personal time, believes in the power of pep talks and see parallels between the worlds of sports and business. **"Having five to 10 minutes at halftime or between periods in a game, that's when you're able to explain, adjust and have players execute when they go back on the field,"** he said. **"In business, it's not so different. You just have to stay calm, stay focused, read what's in front of you and react. Ultimately that's what we'll do throughout this year as things unfold. We will adjust accordingly, whether market forces be positive or negative." ■**





# TOP PRIORITIES FOR IMPROVEMENT

Please rank the business priorities for 2023 that you most want to improve upon by level of importance.

	2023	2022
Ranking	1	N/A
	Reduce Costs*	
	2	7
	Increase Sustainability, ESG	
	3	4
	Better Identify and Respond to Consumer Demand	
	4	2
	Find New Areas of Growth	
	5	9
	Increase Sourcing Closer to Consumer Markets**	
	6	1
	Improve Quality	
	7	5
	Streamline End-to-End Supply Chain Processes*	
	8	3
	Improve Supply Chain Visibility and Resiliency	
	9	8
	Improve Omnichannel Fulfillment Efficiency	
	10	6
	Strengthen Business Intelligence/Analytical Capabilities	

346 Respondents

\* New answer choice for 2023

\*\*Answer choice worded "Get Closer to Market" in 2022

**A**ligned with the greatest challenges survey respondents highlighted (inflation, labor concerns and price pressures), the No. 1 improvement priority makes perfect sense: reduce costs. Because it reduces wasted time, labor and materials, digital transformation is important to cost reduction as well as ESG efforts and the other improvement priorities identified by survey respondents. Sustainability/ESG

has surged toward the top of the priority list for many companies and executives. For perspective, sustainability was not a response option in our 2019 survey, but when we added it in 2020, respondents said it was their fifth-greatest 2021 growth opportunity. Now ESG is both the No. 2 growth opportunity and No. 2 priority for improvement. "How brands manage and communicate about issues >



➤ that are important to consumers will be critical,” said McKinsey and The Business of Fashion (BoF) in [The State of Fashion 2023](#). “Consider sustainability. New and emerging regulations along with heightened consumer awareness of fashion’s contribution to the climate crisis mean that brands will need to be hyper-

vigilant about how they talk about their sustainability-related initiatives and achievements to ensure they are not ‘greenwashing,’ which could potentially lead to reputational damage or costly fines.” Brands and manufacturers also need to back up claims with reliable supply chain data, visibility and transparency. ■



## SNAPSHOTS

- **Sustainability’s Evolving Prioritization:**

For added perspective, here is how survey respondents have ranked sustainability/ESG as an improvement priority over the years. For 2019, it was priority No. 9 of 10. In 2020, it ranked dead last, priority No. 10 of 10. In 2021, it went back to No. 9 of 10. Then in 2022, it moved up to priority No. 6.

- **Sustainability in Context:**

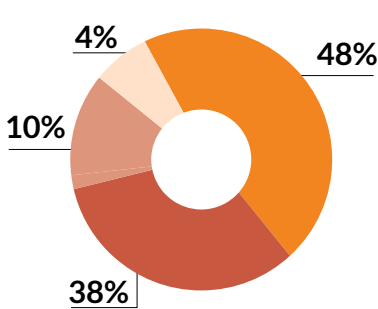
Sustainability was not yet the hot-button issue for consumers heading into 2019, and therefore a lesser focus for brands and retailers. Then on the brinks of 2020 and 2021, businesses were focused on survival, and sustainability took a backseat. As 2022 approached, consumers had heightened awareness of global supply chain issues and eco-impacts of online shopping and returns. In November 2021, the young Swedish climate activist Greta Thunberg captured the world’s attention in her U.N. Climate Change Conference speech challenging world leaders and businesses to stop greenwashing and start changing.

# TECHNOLOGY PRIORITIES

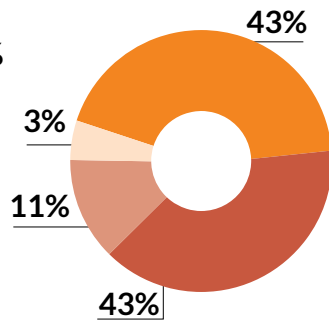
What supply chain technologies do you already have in place or plan to put in place in the near future?

● Already in Place ● Plan to put in Place ● Not in the Plan ● Other

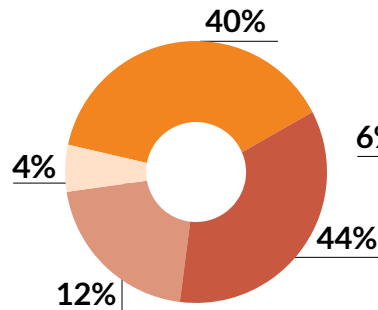
**1<sup>st</sup>** LOGISTICS MANAGEMENT



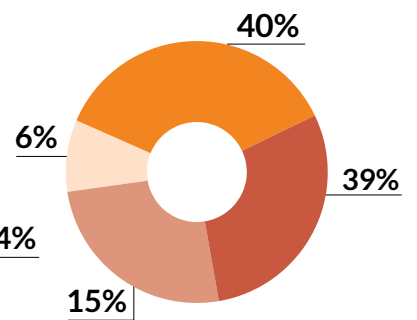
**2<sup>nd</sup>** SUPPLY CHAIN VISIBILITY/ TRACKING



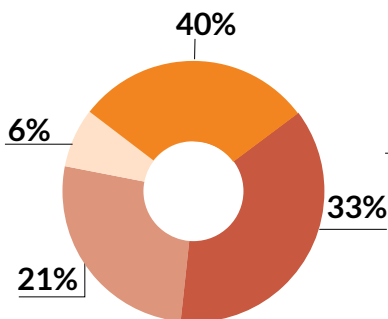
**3<sup>rd</sup>** DEMAND PLANNING/ PREDICTIVE ANALYTICS



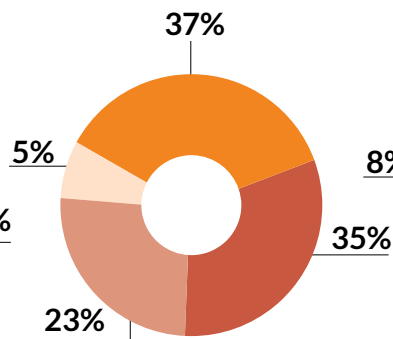
**4<sup>th</sup>** INVENTORY MANAGEMENT & FULFILLMENT/ WAREHOUSE AUTOMATION



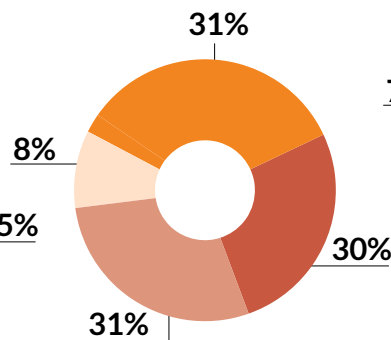
**5<sup>th</sup>** TECHNOLOGY ERP



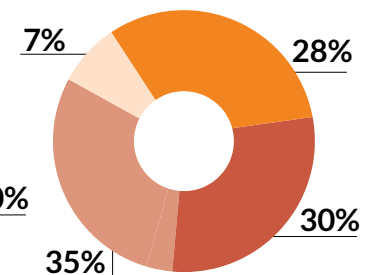
**6<sup>th</sup>** TECHNOLOGY PLM



**7<sup>th</sup>** SHOP-FLOOR CONTROL/ PRODUCTION MANAGEMENT



**8<sup>th</sup>** 3D DESIGN AND DIGITAL SAMPLING



343 Respondents





## TECHNOLOGY PRIORITIES

With supply chain and shipping challenges of recent years, it makes sense that businesses are prioritizing technologies to support their logistics management and supply chain visibility/tracking. Demand planning/predictive analytics, a powerful technology category, rounds out the top three for our 2023 survey respondents. On the whole, the majority of respondents are embracing an array of solutions to digitally transform their businesses.

Steve Gordon, chief customer officer, The Parker Avery Group, put some perspective around analytics in his blog post, [“How to Transform Your Retail Enterprise with Advanced Analytics.”](#) He said, “For those retail organizations who understand that any modern transformation must include analytics, the following are critical tenets:

- Consider all three legs of the transformation stool: people, process and technology. One without the others will not drive sustainable capability improvements.
  - While there is value in ensuring an analytics-driven mindset, the organizational goal of a transformation to enterprise intelligence is twofold:
    - Alignment: common data, common analytics, common facts.
    - Collaboration: break down silos and promote collaboration across the enterprise, driving productivity and efficiencies at all touchpoints”.
- Source: The Parker Avery Group

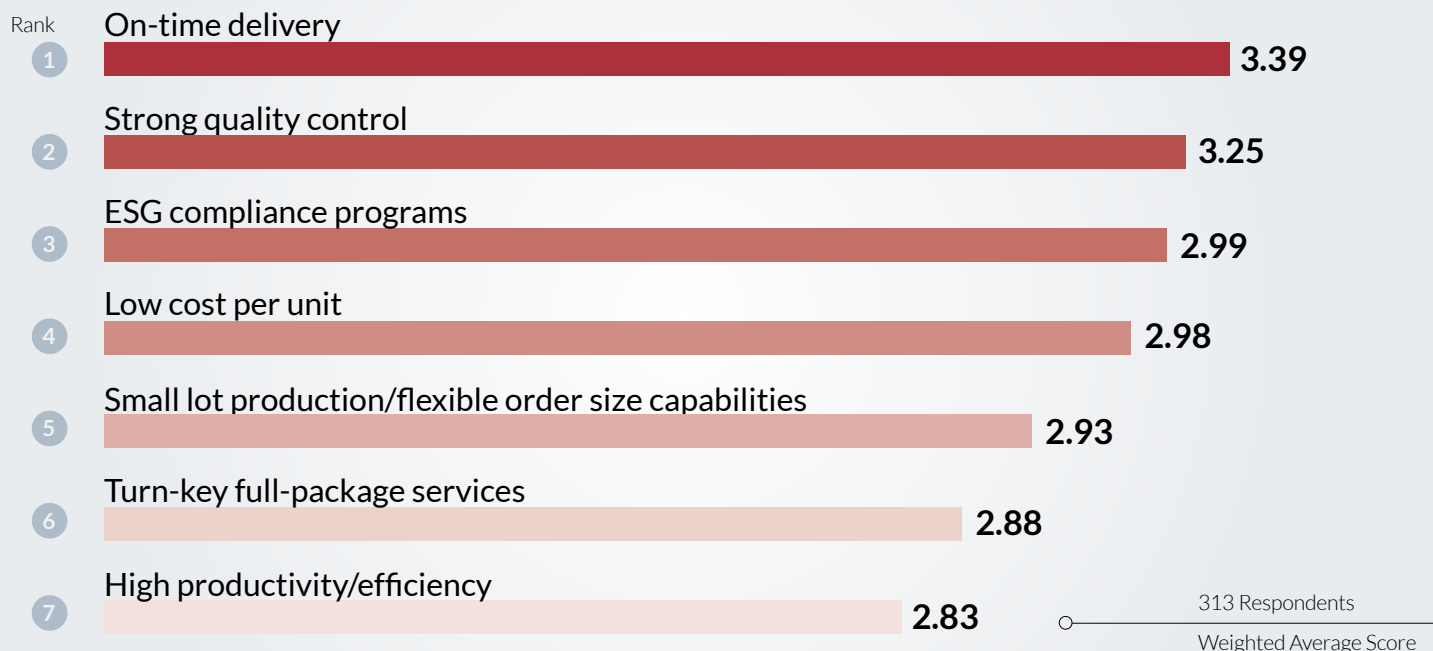
Demand planning and inventory management are both analytics-intensive business processes for today’s manufacturers, brands and retailers. The more people, processes and technology on a common platform, the more efficient a business will be in managing these mission-critical priorities. “It also helps a lot when supplier and buyer have systems in place that align on a ‘Single-Version-of-the-Truth.’ Technologies such as electronic proof-of-delivery and, especially, networked platforms — where buyer and supplier are literally using the same system for POs, ASNs, receipt, invoicing, and payment — can help reduce the number of disagreements and back-and-forth negotiations that result when each side has different record-keeping systems,” wrote Bill McBeath, chief research officer, ChainLink Research, [in part three of his series on procure-to-pay \(P2P\) processes.](#) ■





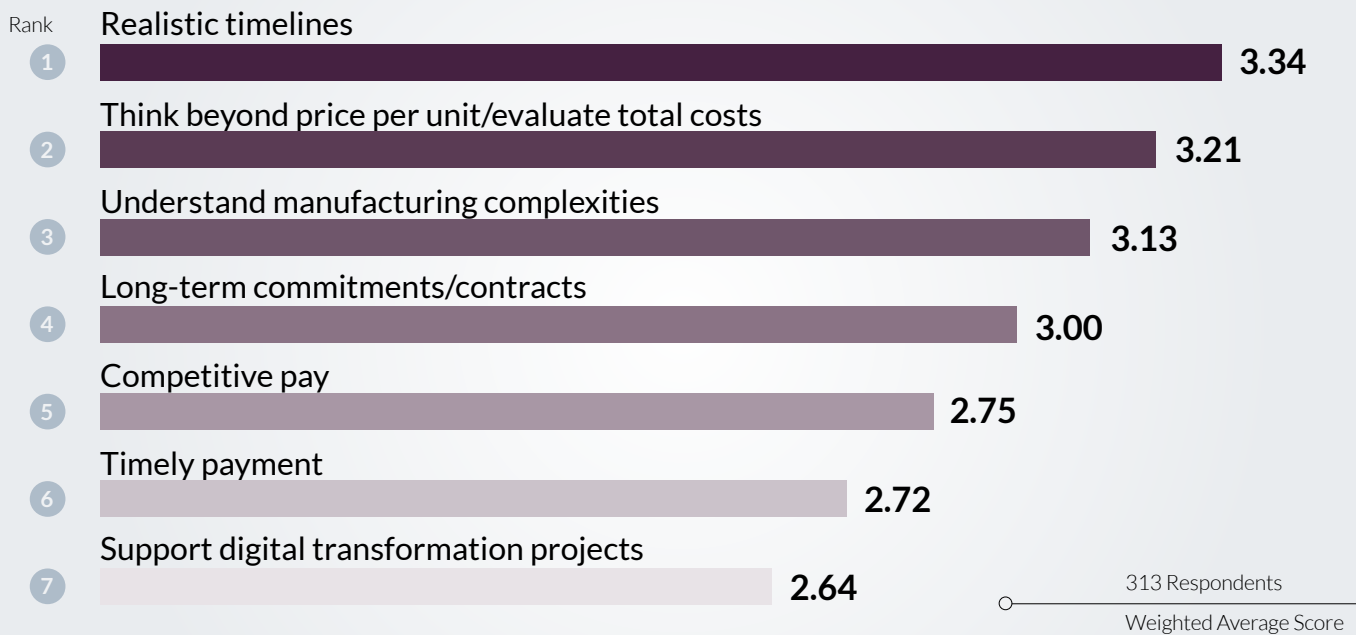
# STRATEGIES TO STRENGTHEN SUPPLIER-BUYER RELATIONSHIPS

**TOP 7** Things Manufacturers can do to Improve Supply Chain Performance





## TOP 7 Things Buyers/Sourcing Teams can do to Improve Supply Chain Performance



Survey respondents said improvements in supply chain performance will not come from squeezing blood from the turnip on price. Instead; they pointed to factors such as on-time delivery, strong quality, ESG, realistic timelines and thinking beyond the price per unit.

“In recessionary periods especially, how fast you get product could be just as important as how much that product cost,” said Yelena Mogelesky, vice president of production and sourcing, Komar Brands, in the Sourcing Journal article, “For Gap and Komar, Sourcing Cost Isn’t the Only Concern.” “In a time

when stores don’t want to buy as much, if you can be the person that fulfills back orders, if you can get goods in faster, I think that you have the upper hand.”

Roberto Bequillard, president and owner, Confexsa, a Nicaragua-based manufacturer, said the pandemic and geopolitical issues have triggered a mindset shift among buyers, who are putting greater focus on total costs, risks and profits vs. the least expensive “first price.” For example, there is heightened wariness about carrying too much of the wrong product. Sourcing smaller order runs closer to market reduces this risk. ■



# SURVEY RESPONDENT INSIGHTS: IN THEIR OWN WORDS

Sometimes it's impactful to hear things straight from the perspective of your peers. Here is a sampling of comments we received as survey respondents' open-ended answers to the following question.

## In your opinion, what needs to happen to strengthen retail industry supply chains in 2023 and beyond?

- “We need more predictable lead times and schedules. Current variances are impacting other areas due to the constant changes.”
- “More efficient means of transporting goods.”
- “More visibility into freight forwarding and implementing full EDI system for our own team.”
- “Normalization of transportation times and prices, increased adoption of technology that provides accurate and timely visibility of the entire chain, improved compatibility of systems.”
- “Find a better balance between cost control and fulfilling demand during unexpected events. Upgrade to modern technology. Monitor data from suppliers, transportation providers and the shop floor.”
- “We need to cut short our go to market and embrace digital adaptation to help scale and reduce cost.”
- “Think global and act local. We can really produce in our backyard to answer regional demand. I believe in manufacturing closer to the distribution centers.”
- “Find new resources, work on lower cost and to stabilize transportation costs. Work on improving time and action calendars to limit effects of delays.”
- “Improved planning to better react to business changes.”
- “Solve the labor issue related to logistics. We need more truck drivers and delivery personnel.”

# SURVEY RESPONDENT INSIGHTS: IN THEIR OWN WORDS

- “Transparency and sustainability plus circularity”
- “Simply put, find the areas where your chain is most likely to break, and reinforce it. Sounds simple, but it would require taking a deep dive into your entire supply chain to determine what those areas are and then dive even further to see what can be done to support those areas.”
- “Fewer long-distance nodes in the supply chain. More resiliency.”
- “Better forecasting to align supply with demand along with establishing a strong supplier matrix that has deep collaboration with inventory needs.”
- “Have the capability to hold the correct level of inventory to balance between demand and supply. In addition, collaborate with strong suppliers and third-party logistics providers.”
- “More transparency and communication from retailers all the way back through the supply chain.”
- “Engage and integrate. Build Trust.”
- “Increased automation and reshoring of manufacturing.”
- “Better forecasting from our retail partners to position product correctly. Projections are not even close to actual orders received, leaving too much in inventory or, in some cases, not enough.”
- “Diversification will continue to be the most important step for supply chains.”
- “Nearshoring has to be key for growth and to make an impact on the supply chain.”
- “Making total supply chains visible, not just Tier 1. Genuine collaboration between suppliers and their clients, not just clients asking for price reductions. Rewards for best-performing suppliers and encouragement for continuous improvements.”
- “Investment in infrastructure, materials and technologies that achieve environmentally sustainable product life cycles.”

# KEY TAKEAWAYS

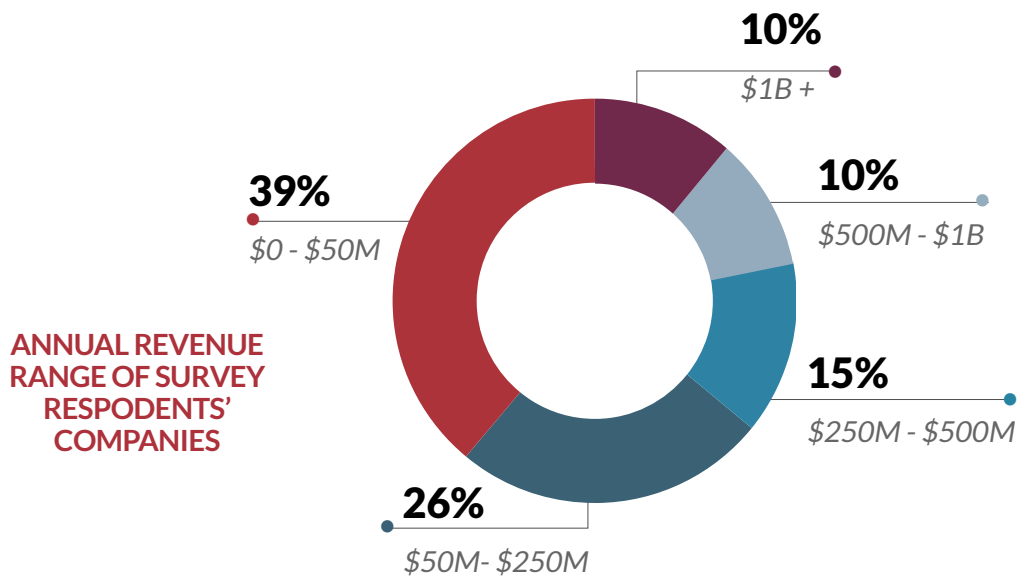
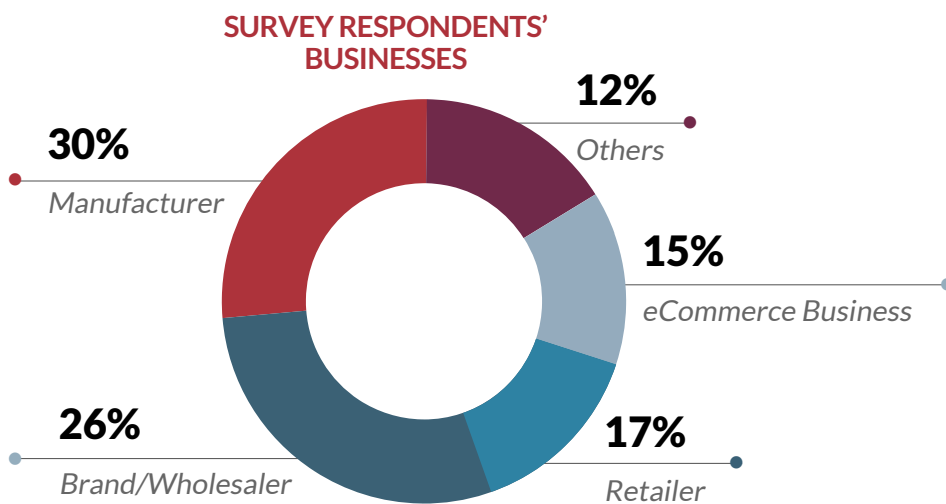
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- 1 Reducing costs is the No. 1 improvement priority,** understandable when the greatest challenges respondents see for 2023 are inflation/economic uncertainties, labor shortages or rising labor costs, and price/margin pressures.
  - 2 Still, when they look at what manufacturers and buyers/sourcing teams can do to improve supply chain performance,** the emphasis is not on price but on-time delivery, quality, environmental/social/governance (ESG) compliance and **thinking beyond price per unit to evaluate total costs.**
  - 3 eCommerce remains ranked No. 1** as the most important growth opportunity for the year, as it was for 2022.
  - 4 Sustainability and ESG initiatives are high** on our survey respondents' radars, coming in as the No. 2 most important growth opportunity as well as the No. 2 improvement priority. ESG compliance programs also were ranked the No. 3 thing manufacturers can do to improve supply chain performance.
  - 5 Eighty-six percent of companies** have either moderate or high confidence in their end-to-end supply chain to support their 2023 business growth initiatives, up from 53.75 percent who expressed confidence in their supply chains heading into 2022.
  - 6 The majority of businesses have or will be investing in a variety of technologies,** with logistics management, supply chain visibility/tracking and demand planning/predictive analytics either in place or on tap for over 80 percent of survey respondents.
  - 7 Strengthening supplier relationships and improving supply chain visibility** are the top actions survey respondents have either already taken or will take to overcome supply chain challenges.
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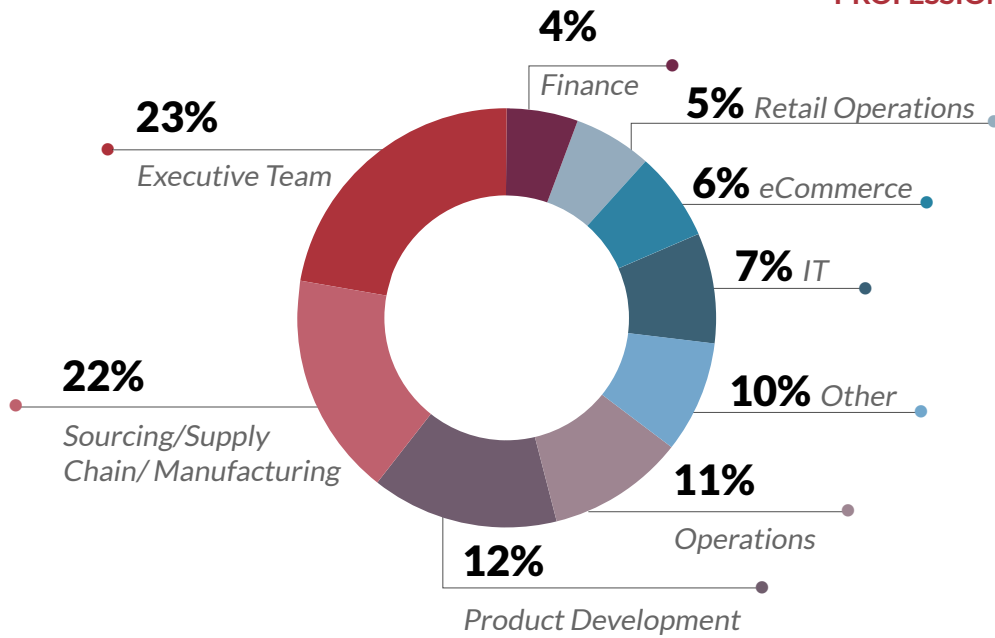
# ABOUT THE SURVEY

The CGS 2023 Supply Chain Trends and Technology Report highlights results of a market research survey conducted by CGS during November and December 2022. Approximately 350 industry professionals participated. The following graphics show the demographics of our survey sample population.

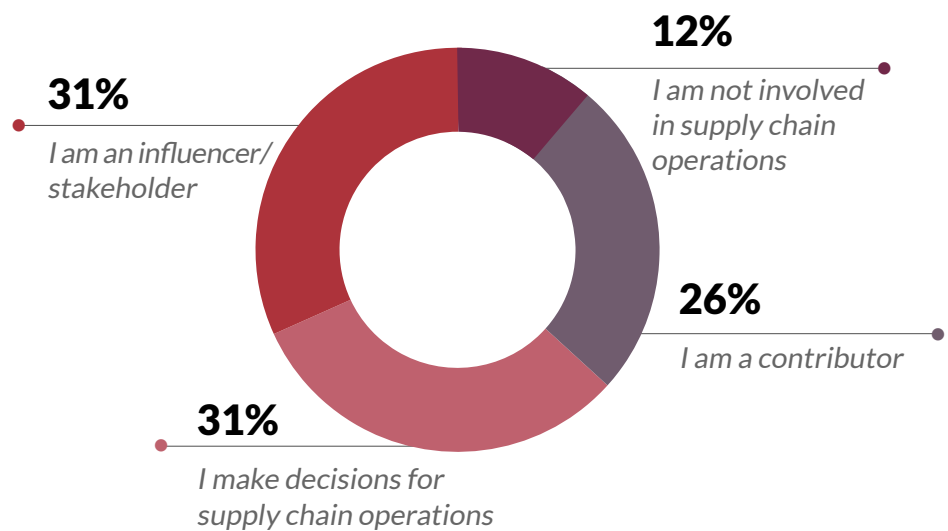


# ABOUT THE SURVEY

**SURVEY RESPONDENTS' PROFESSIONAL DEPARTMENTS**



**SURVEY RESPONDENTS' ROLE IN SUPPLY CHAIN OPERATIONS**



# ABOUT CGS BLUECHERRY®

BlueCherry® is an award-winning, end to end supply chain management solution, supporting the needs of high-growth organizations operating in consumer lifestyle products, retail, and apparel. The platform provides complete visibility and resilient supply chain management tools from planning and product development to manufacturing and sales. A robust and flexible feature set enables customers to utilize individual components or take advantage of a single, unified platform.

250,000+

250,000+ users  
worldwide

20+

Implemented in  
20+ countries

500+

A community of 500+  
customers globally

With end-to-end capabilities, the CGS' BlueCherry Enterprise Suite includes:

- Product Lifecycle Management
- B2B eCommerce
- Business Intelligence
- Enterprise Resource Planning
- Omnichannel Warehouse Mgmt.
- Business Integrations
- Shop Floor Control
- Omnichannel Merchandise Planning

TRUSTED BY THESE AMAZING COMPANIES



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