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Nearly 75% of consumer product organizations and retailers turn to regional sourcing amidst global disruption

Balancing cost and resilience will be vital as more than 40% of consumer products and retail organizations anticipate stockouts during this holiday season, and nearly 40% expect late deliveries

Paris, November 15, 2023 – Consumer products and retail (CPR) companies are diversifying and localizing their supply chain networks to deal with last-mile delivery challenges, quick commerce expectations, and to prevent stockouts during the busy holiday season. Nearly 8 out of 10 (79%) CPR organizations today are diversifying their supplier base, with 71% actively investing in regionalizing and localizing. For example, 83% of organizations are actively investing in friendshoring, a growing trade practice where supply chain networks are focused on countries regarded as political and economic allies, to further reduce risk exposure. This is according to the Capgemini Research Institute’s latest report, *‘Illuminating the path: Building resilient and efficient supply chains in the consumer products and retail industry’*, which examines how CPR organizations are transforming their supply chain strategy to infuse resilience, efficiency and sustainability into their business.

According to the new report, global supply chains are currently threatened by a multitude of factors including inflation, geopolitical tensions, over-reliance on certain countries for components, fluctuating freight rates and port congestions. Over three quarters (77%) of CPR organizations said that geopolitical issues are impacting the costs and efficiency of supply chains. Against this backdrop, the report found that nearshoring and domestic sourcing is gaining prominence as organizations try to strike a balance between cost and resilience.

Globally by 2025, offshore procurement is expected to drop by 7%, with nearshoring and domestic sourcing set to increase by 4% and 3% respectively. North America is leading the nearshoring trend, with a 9% increase in nearshore procurement in terms of dollar value, a 4% increase in domestic, and a 15% reduction in offshoring procurement predicted by 2025.

“As supply chain disruptions continue to pose new challenges for retail and consumer product organizations, they are pivoting their sourcing strategies to build resilience. Balancing cost efficiencies with resilience while focusing on adopting sustainable and circular economy practices will go a long way in creating future-ready supply chains that can drive profitable growth,” said Lindsey Mazza, Global Retail Lead at Capgemini. *“In order to adapt and thrive, consumer product and retail organizations should also focus on preparing for the holiday season, which can be a profitable yet challenging period. Optimizing inventories, localizing supply chain networks and exploring alternate fulfillment options can help businesses be more prepared during this period to meet consumer expectations. Technology and data will play a key role in this – be it helping with demand sensing, automating warehouses, improving customer experiences, or ensuring efficient fulfillment.”*



CPR organizations expect stockouts during the holiday season

Seasonality is an important consideration for consumer product and retail companies. Among the top issues organizations anticipate during the 2023 holiday season, 42% of CPR organizations expect to encounter stockouts or product shortages, 38% expect late deliveries to their customers due to import delays and, 35% of organizations foresee labor shortages.

Improving supply chain cost-efficiency top of the agenda for next 12-18 months

According to the report, businesses continue to be cautiously optimistic in 2023. CPR organizations are focusing on building cost efficiency in supply chains through better planning, process improvement and automation. For 42% of CPR organizations, improving supply chain cost efficiency is the top focus in the next 12–18 months. However, to achieve this, the vast majority (82%) of CPR organizations believe that their supply chain will need to change significantly, and nearly nine in ten (86%) state that data and technology must play a key role in securing that transformation. Of the technologies being adopted, deployed and scaled, data management (56%), cloud computing (55%), and automation (52%) are leading the pack as priorities for realizing cost savings and driving revenues.

Sustainability remains important but large-scale adoption is still lacking

Three-quarters (75%) of CPR organizations surveyed reported that they are making conscious efforts to be more sustainable. Similarly, nearly nine in ten (86%) acknowledge that ethical and responsible sourcing, transportation, and manufacturing are key for competitive advantage. This figure was just 69% when [surveyed in 2020](#)¹.

However, less than half of companies have deployed and scaled sustainability initiatives, with just 49% having done so for responsible sourcing, 45% for circular product design and 45% for recyclable packaging. While this is an improvement on adoption levels in 2020, our research shows that average investments in sustainability as a percentage of revenue have slightly decreased when compared to 2020.

Data and analytics can enable resilient, sustainable and efficient supply chains

Managing volatile consumer demand while bringing the focus back to cost efficiencies is a key priority for CPR businesses today. In addition to strategic sourcing strategies, the report highlights that data and analytics will help to improve demand forecasting, fulfillment, and customer experience. It'll also enable product, portfolio optimization and automation especially in manufacturing and warehousing, which can lead to an increase in both revenue and margins. Adopting circular economy practices and increased transparency in the supply chain can help them meet sustainability goals.

Methodology

The Capgemini Research Institute surveyed 300 organizations in the consumer products and retail industry during August and September 2023 to understand their approach to handling supply chain challenges. It also conducted in-depth interviews with senior industry executives.

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¹ Capgemini Research Institute, "Fast forward: Rethinking supply chain resilience for a post-pandemic world," November 2020.



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