

Navigating Peak Season 2023: European Supply Chain Leaders' Top Strategies & Priorities



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2023 promises another year of peak season uncertainty, instability, and upheaval, but **supply chains come armed with more strategic defences this year.**

Concerns about inflation and labour linger, of course, while more than four out of 10 supply chain executives expect peak season operations to be more challenging this year than in 2022, according to a survey of European retailers, manufacturers, wholesalers, and 3PL/4PL firms. Conducted by Deposco and Supply Chain Dive's studioid, the survey asked 200 supply chain professionals how they are preparing for Peak Season 2023, where they are focusing the most effort, and what role technology will play in their plans.

Considering what European leaders anticipate for peak season 2023 — including escalating prices and delivery delays — confidence in their current systems' ability to handle fulfilment requirements during peak season isn't strong. Most respondents indicate that there's room for improvement, with only 19% of supply chain executives feeling very confident in the capabilities of their technology and processes.

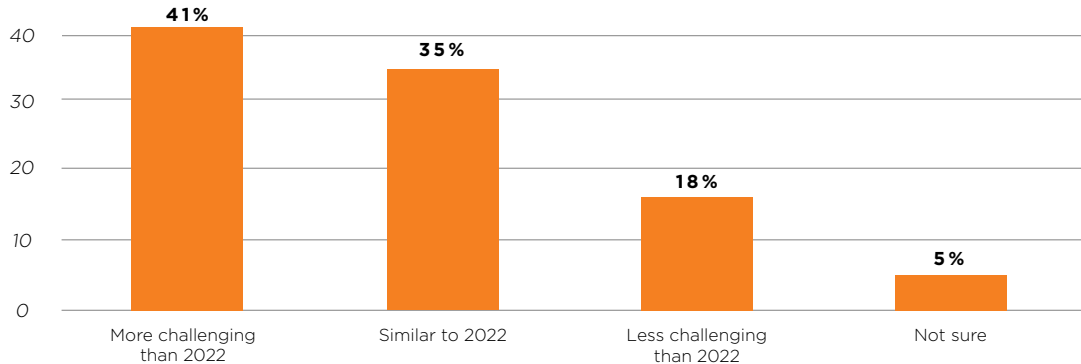
These exclusive data and expert observations provide valuable insights and benchmarks to improve your supply chain and bolster peak season planning.

Peak Season 2023: A Synopsis of Expectations

There doesn't seem to be much of a break in peak season uncertainty this year, as 41% of respondents expect peak season 2023 to be more challenging than 2022; 35% expect it to be similar to last year. In terms of timing, 35% report an earlier peak season as compared to pre-pandemic.

“Overall, it seems that operators are more accepting that uncertainty is the norm this season and are eager to attack it more proactively,” says Will Lovatt, general manager and vice president at Deposco. “Experiences in recent years have created a thirst for solutions that provide resilience in coping with current realities, such as massive shortages and the poor economic situation, as well as future challenges we can't predict.”

Do you anticipate the 2023 retail peak season to be more challenging or less challenging than 2022 peak season?



*Respondents selected one answer



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One uncertainty that stood out this season is that peak continues to stretch beyond the holidays, as 62% of executives now consider Amazon Prime Day a peak event. While this sitewide sale may contribute to a longer peak season, it also presents retailers, manufacturers, wholesalers, and 3PL/4PL firms with a dress rehearsal — a chance to test new processes and technology before the sustained peak later in the year. In addition, it offers smaller companies the chance to get a competitive jump on large companies that use technology with long lead times, lengthy deployment cycles, and rigid functionality (such as enterprise resource planning [ERP] systems).

Michael Johnson, vice president of business consulting at Deposco, predicts that Prime Day will serve as the gateway to more peak season changes in the future. “I think we’ll see growth in generated peak events. They might be smaller, but they’ll occur more often throughout the year,” he says. “That’s going to cause more volatility by artificially influencing the demand that businesses have to handle.”

More “short” peak events could also mean more changes in consumer behaviour. Johnson explains: “Instead of sprinkling their purchases throughout the year, particularly in response to inflation and tighter spending, we may see more people waiting to buy certain items they want or need during certain peak events.”

What Supply Chain Leaders Are Focused on for 2023

Top Priorities this Peak Season

Most important for executives this year is managing costs, with 52% pinpointing it as the top priority. This is no surprise in an unpredictable economy where costs for labour, materials, and services are higher. Amid these price hikes and inflation, it costs more to get work done, so supply chain executives have their eyes on expenses.

For 40% of respondents, inflation is the national/global issue of most concern when compared to factors like political instability, upcoming elections, and seaport delays. As a result, leaders anticipate far-reaching inflation impacts:

- 52% anticipate higher prices for supplies and services
- 40% anticipate reduced consumer demand due to the cost-of-living crisis
- 26% anticipate longer lead times

For 33%, improving sustainability is the top priority — even above managing costs, hiring, and rightsizing inventory. There's increasing demand by consumers for sustainability, proven by their willingness to pay more for electrical vehicle (EV) delivery or to cut back on plastic packaging and other single-use plastics.

Because consumer awareness is growing, there's an increasing willingness by companies and their supply chains to prioritise sustainability as well. They know buyers are paying more attention to who they're purchasing from, how they're purchasing, what kind of packaging the product comes in, and how the package is delivered. Buyers want to be part of the solution.



52%

of executives pinpoint managing costs as the top priority this year.

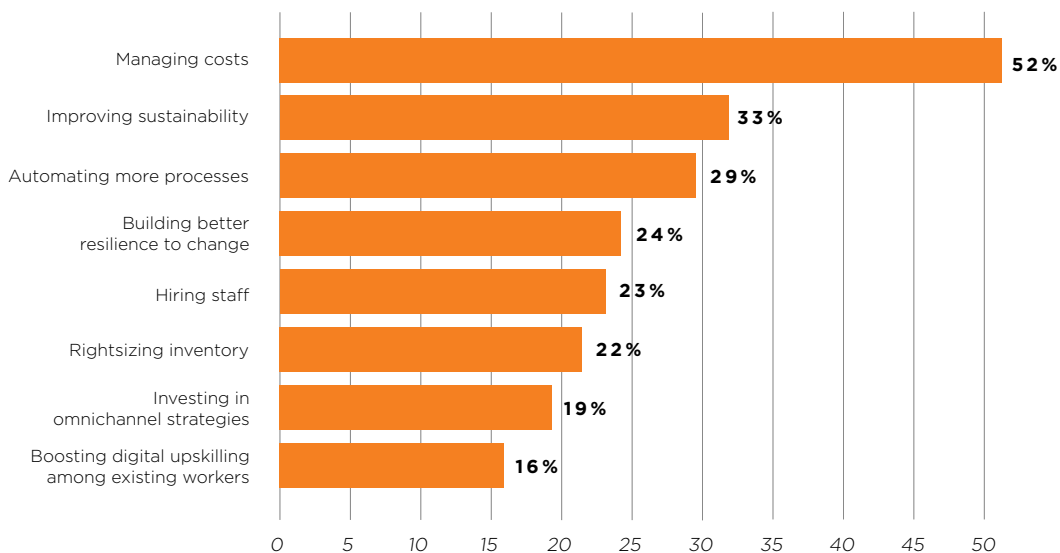
“Companies here are starting to realise they can make an impact,” says Lovatt. “Climate awareness is rising as we saw the hottest-ever June and the wettest-ever July this year. If we can make a difference, then we should. Every trivial change makes an overall improvement. Small steps add up, and they also positively impact brand image.”

Beyond cost management and sustainability, automating processes is also front of mind. Nearly three out of 10 executives (29%) identify process automation as a top priority. As companies realise that they must find ways to create their own productivity in places where labour is hard to come by, automation is one way to do this.

“Now more than ever, there’s a need to invest in technology with an obvious ROI,” says Johnson. “Especially if you’re relying on automation to help close the labour gap, it’s critical to be able to predict and measure ROI before investing in a system or solution.”

For the first time in four years, supply chain executives won’t be rushed by outside forces (like the pandemic) to make fast decisions and quick changes in response to fluctuating market conditions and demands. There’s presumably time to evaluate strategy, get back to business basics, and ask these important questions: Does the value justify the investment? Do I have the complete ROI story?

What is your top priority for peak season 2023?



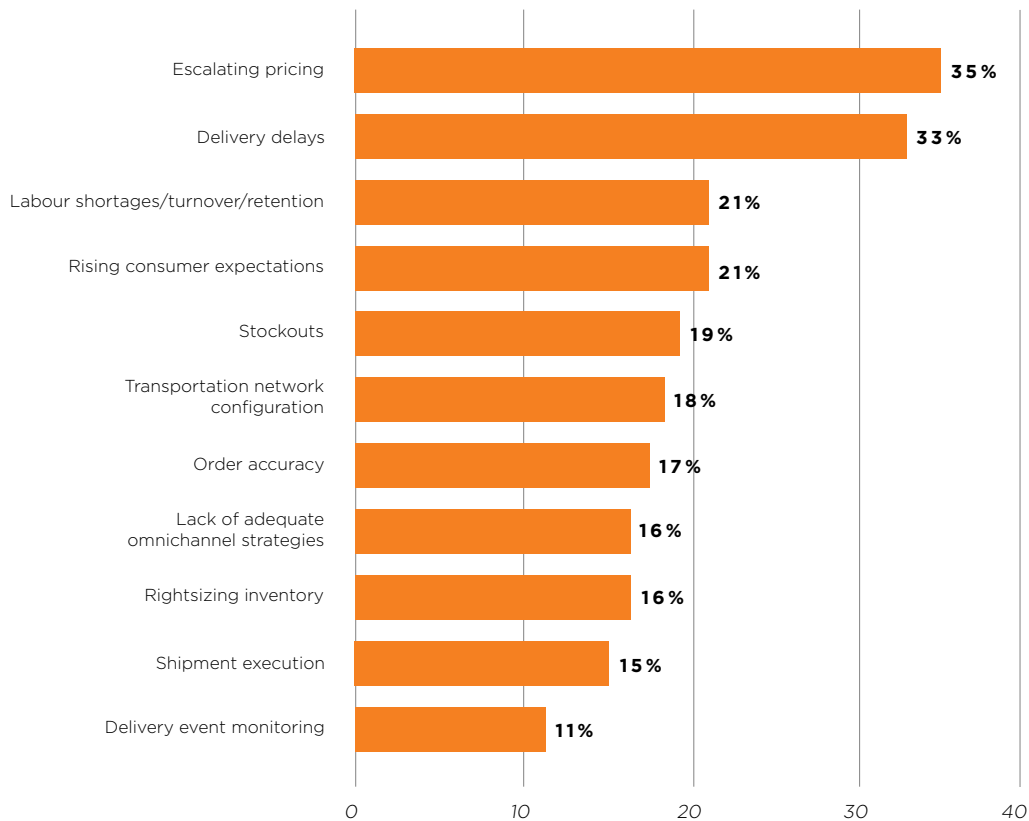
*Respondents selected up to three answers

Top Concerns in 2023

This year, supply chain executives are worried most about the consequences of escalating pricing, with 35% calling it their biggest worry. This aligns with broader challenges European consumers currently face regarding economic conditions, the cost-of-living crisis, and inflation.

Following closely on their list of concerns is delivery delays (33%). This could be due in part to the expected labour shortage in transportation and logistics (T&L) and its impact on the ability to ramp up for peak season.

What are your top three concerns entering peak season this year?



*Respondents selected up to three answers



29%

plan to increase
safety stock compared
to last year

To mitigate supply/demand uncertainty and beat unreliable delivery lead times, respondents plan to adjust safety stock:

- 29% plan to increase safety stock compared to last year
- 40% plan to carry the same level of safety stock as last year
- 38% plan to buy/replenish safety stock earlier than they did in 2022
- 28% plan to buy/replenish safety stock at the same time as in 2022

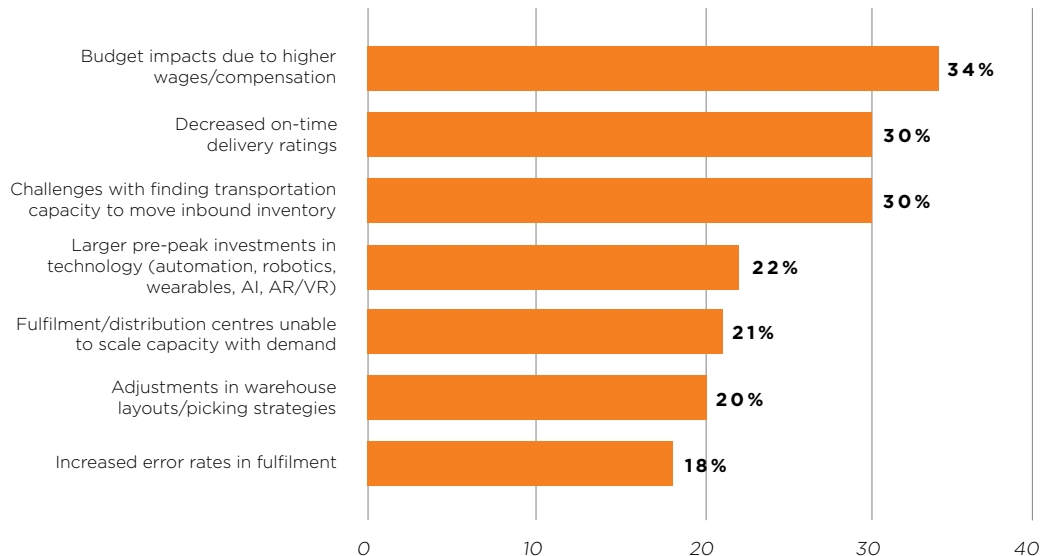
“Today, companies can process every item in near real time to decide what’s needed and where,” said Lovatt. “If you’re going to buy more or buy earlier to secure supply, then make sure you don’t get it wrong. The cost of being wrong is higher now. You must balance the benefits against the additional cost of carrying the inventory. Leaders are learning that it doesn’t always pay to overreact or overcorrect — and inflation only makes matters worse.”

This year, supply chain executives expect the T&L labour shortage to create lingering effects. Most notably:

- Budget impacts due to higher wages/compensation (34%)
- Decreased on-time delivery ratings (30%)
- Challenges finding transportation capacity to move inbound inventory (30%)



How do you expect the transportation/logistics labour shortage to impact your ability to ramp up for peak season?



*Respondents selected multiple answers

How the Industry Is Prepping for Peak Season 2023

Given what European supply chain leaders face, the big question is this: How prepared are they today for what peak season has in store this year? Let's find out.

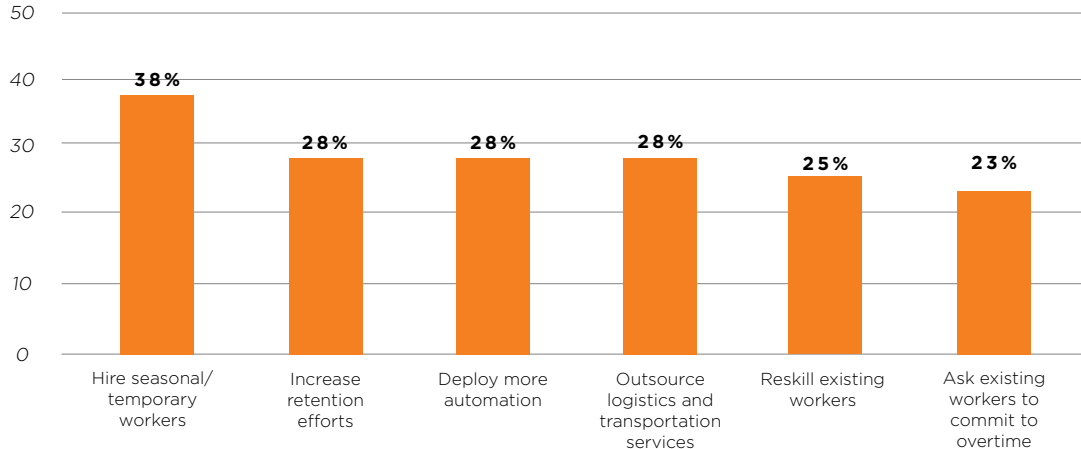
Working through Ongoing Labour Issues

While labour issues arise during every peak season, leaders say they'll count on four strategies to manage this gap in 2023.

First, they plan to hire seasonal and temporary workers. Bringing these types of employees into a busy fulfilment operation during peak season can be stressful for everyone involved, so make sure any tools, technology, and software platforms are fast and easy to learn and use. Warehouses don't have time to spend on training and onboarding to bring new employees to full productivity.

Employee retention, automation deployment, and logistics and transportation outsourcing sit at a three-way tie for how leaders will tackle labour issues next: nearly three out of 10 supply chain executives (28%) plan to focus on those strategies.

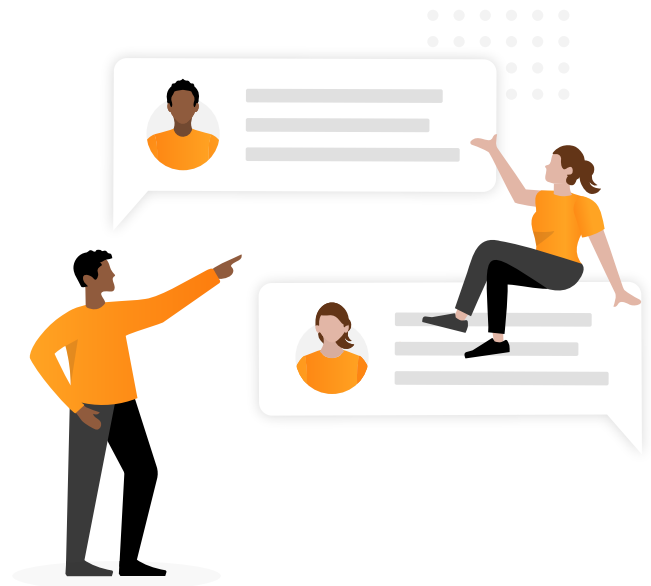
How will/would you address labour issues surrounding peak season?



*Respondents selected multiple answers

“When it comes to outsourcing — working with a 3PL or 4PL — it’s vital to have systems that facilitate fast, accurate, and transparent data exchange and accountability for things like billing and order tracking, all in real-time, and all in one system,” Lovatt said.

When outsourcing to a 3PL for peak, make sure their WMS partner can establish a customer portal. This will greatly increase efficiency and help retailers find answers to questions, locate documents, and chase down order information quickly.



Building Resilience Amid Change

To boost peak season resilience, there are three strategies that stand out for supply chain executives.

The highest-ranked strategy is expanding the supplier network, with 28% planning to take this approach. Bucking a multi-year trend of supplier consolidation, risk mitigation through expanding the supplier network is now seen to deliver resiliency in the face of near catastrophic, single-source supply disruption.

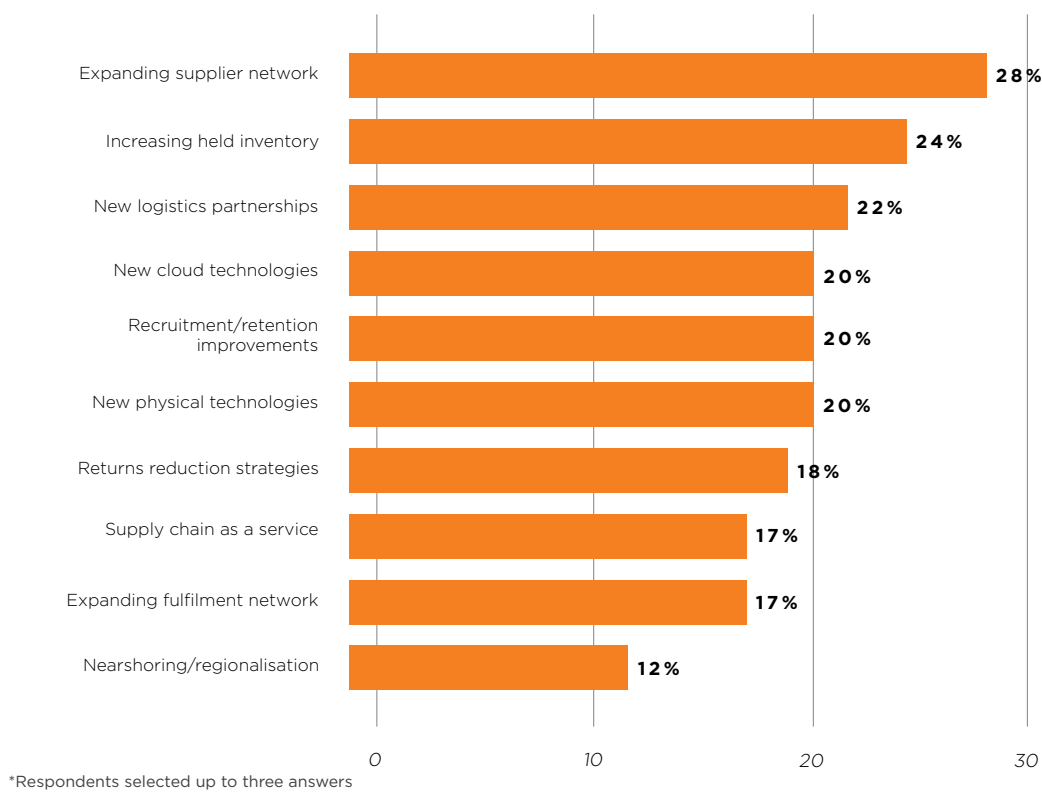
Increasing held inventory is next on the list of strategies to boost resilience, but Lovatt shared a word of caution for the 24% of retailers, manufacturers, wholesalers, and 3PLs/4PLs that choose this path: It requires a delicate balancing act.

“There’s public data available on power tool manufacturers, for example, that are sitting on a couple of billion worth of extra inventory, which is going to take a considerable time to work back to the norm,” he warned. “The company’s sales peaked during COVID-19 because people were at home drilling holes in their walls. Post-COVID, however, people weren’t staying home and completing as many projects. Therefore, the cost of getting it wrong is higher now than when the market is buoyant and sales are great. Today, your ability to sell at full price and carry that inventory for a shorter period of time is diminished, which means the cost of mistakes is higher.”

New logistics partnerships (22%) are the third most popular strategy which leaders say will improve resiliency.

As relationships and inventories grow, organisations will need full inventory visibility at every stage, across dock to stock, pick to ship, and returns. “Whether you outsource or not, you must be able to understand what’s going on and react to whatever happens,” said Lovatt. “The only way to manage that consistently is with great data. It allows you to invest against uncertainty and boost resiliency.”

What strategies are you most likely to consider in the future to boost supply chain resilience during peak season?

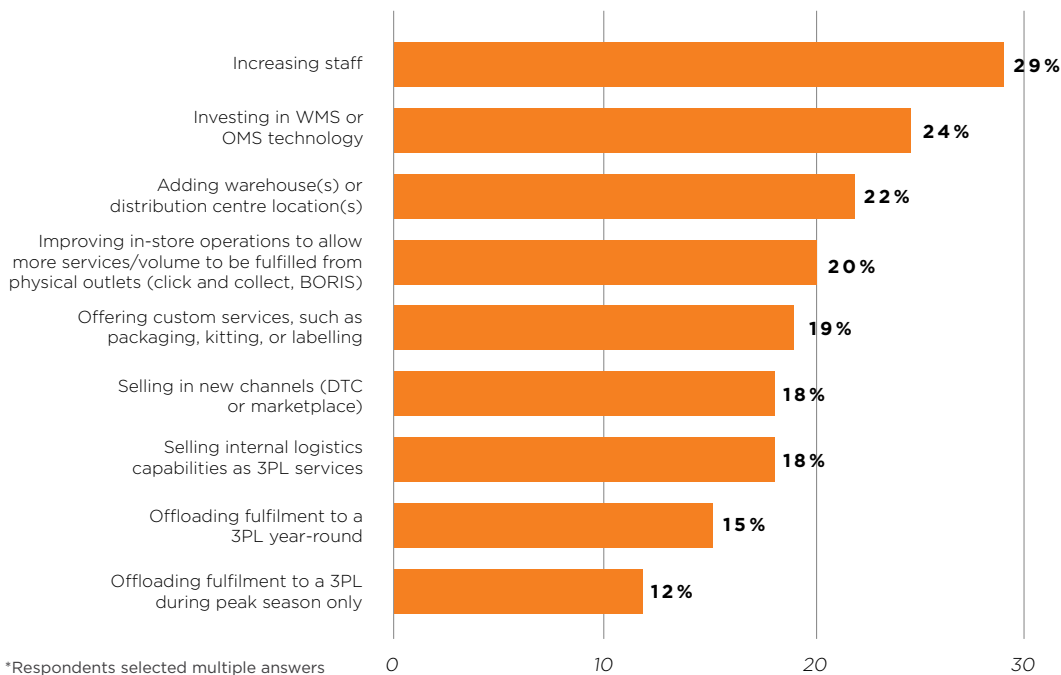


Tactics to Prepare Fulfilment Operations

We also asked supply chain leaders how they plan to prepare fulfilment operations to handle peak season demand spikes and mitigate risk. They are ready to increase staff, invest in warehouse management system (WMS) and order management system (OMS) technology, and add warehouses and distribution centre locations.



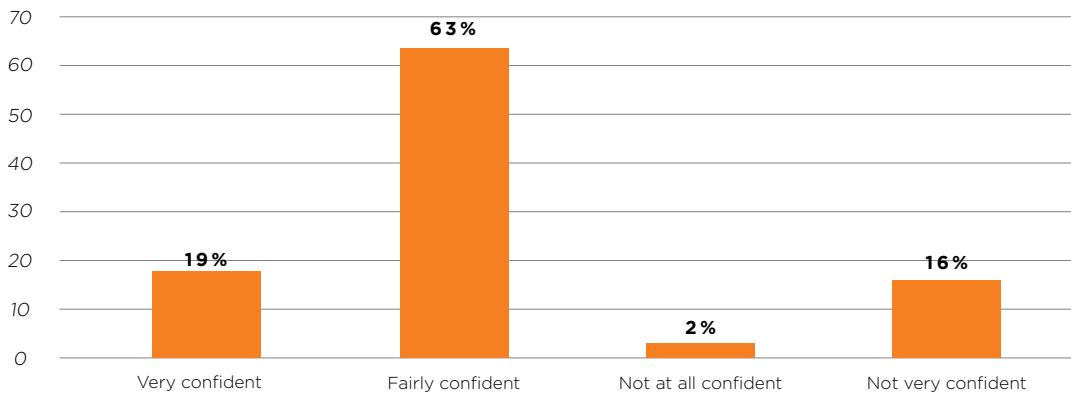
What actions are you taking/did you take to prepare your fulfilment operations for peak season?





When asked about their current systems' ability to handle fulfilment during peak season, 63% say they're "fairly confident," which means there's room for improvement. Only 19% are "very confident" — which explains the need for WMS and OMS platforms to prepare fulfilment operations.

How confident are/were you in your current system's ability to handle your fulfilment requirements during peak season?



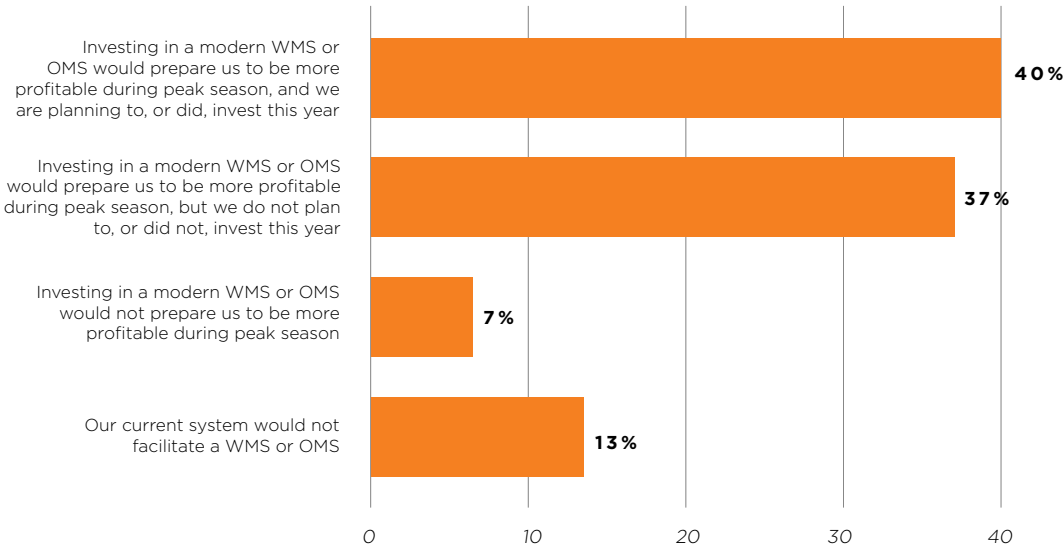
*Respondents selected one answer

Technology Plans for Peak 2023

Many technology solutions are being deployed to digitise peak season. These range from real-time monitoring and analytics (29%) to warehouse management systems (28%) and inventory management solutions (26%).

Investing in a modern WMS or OMS is key to profitability during peak season, according to respondents. The majority of supply chain executives (77%) believe that this investment will prepare their warehouse operations to be more profitable. As a result, 40% plan to invest in these platforms this year. The other 37% do not plan to invest this year, although they still believe this to be true.

Which of the following statements best applies to your organisation?



*Respondents selected one answer

Three reasons stand out when it comes to why leaders want to invest in these systems:

- To support data/system consolidation for multiple channels or locations (25%)
- To reduce the cost to fulfil orders (25%)
- To facilitate on-time delivery/fulfilment speed (25%)

Because a WMS or OMS serves as the foundation for inventory, operations, and other technology systems, getting this type of platform in place is the first step to making things like on-time delivery and data consolidation possible.

The emphasis on WMS/OMS technology in 2023 makes even more sense when considering the areas which supply chain leaders say need the most improvement: warehouse management and inventory management.

When searching for a WMS/OMS platform to support an organisation's KPIs, remember that functionality and features are only part of the equation. Fast time-to-value and time-to-adapt with a quick return on investment, are just as critical – especially to the financial decision-makers who hold the power to play or pass on these platforms. Choose investments that will be foundational to success and create a clear path to revenue.





It's critical to understand and convey ROI when making a business case for a WMS or OMS.

To achieve time to value, look for a WMS or OMS that:

- Promises productivity spikes immediately following implementation
- Supports the ability to be first-to-market with new services
- Reduces fulfilment time
- Includes vendor-built and managed integrations
- Outlines a long-term growth path with a predictable spend

“It's very possible to recognise value in just a few months — especially when you select a solution that can be implemented quickly and without disruption to existing operations. Expectations for investment returns have shifted, and businesses want to recognise value right away — in as few as two or three months. Not only will you have that fast ROI,” Johnson says, “but you'll be ready to grow and scale after that initial implementation without heavy IT resources or surprises.”



Deposco's Bright Suite of omnichannel fulfilment supply chain applications enables fast-growing companies to rapidly scale their warehouse management and order management operations. Bright Suite helps Deposco customers see what inventory they've got, where it is, and where to position it to fulfil demand when It's Grow Time™. It's the only solution that provides this much actionable insight into both your supply chain and the broader marketplace. Deposco makes supply chain fulfilment simple, fast, and always forward. Visit www.deposco.com.

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