

# AS HOLIDAYS APPROACH, COMPANIES SHOULD PREPARE SUPPLY CHAIN COMMUNICATIONS NOW

**There is no predictable end in sight to global supply chain disruptions. With the holiday season approaching, companies should prepare communications now to engage with employees, customers and other stakeholders.**

U.S. holiday sales are expected to grow by at least 7% compared with last year, according to recent forecasts from Bain, Deloitte and Mastercard. E-commerce is expected to account for nearly 20% of all holiday sales this year, according to eMarketer.

A shortage of workers, longer shipping times, limited inventories on popular items and higher delivery costs could disrupt business operations and anger customers in the critical shopping weeks between now and the end the year. Air and ground carriers are hiring seasonal workers, but strong demand is sure to lengthen both intermediate and last-mile delivery times.

Companies unable to deliver on-time goods to customers – or vouch for the social or environmental impact of their supply chains – risk both reputational damage and revenue losses. All stakeholders – customers, investors, employees, regulators and suppliers – will ultimately judge how companies respond. **As a result, companies need to prioritize supply chain-related communications now.**

## GUIDELINES FOR COMMUNICATING ABOUT SUPPLY CHAINS

Companies should expect political, public and consumer attention and must prepare for their supply chain operations to be publicly scrutinized. Here are some guidelines for communications and marketing professionals to consider now, in advance of the holiday season that is so critical for many companies and retailers.

### Leadership and employees

- + To show that addressing supply chain disruptions is a high priority for the company, communications must come from the top of the organization to all relevant audiences. This can take place in different formats and across multiple platforms – from CEO videos and social posts, to customer and employee letters – with the goal to build and maintain trust and credibility. Leaders should engage early and regularly.
- + The workforce comes first. As with other COVID-19 and lockdown-related issues over the past 18 months, companies should prioritize their own workforce. They are your most valuable asset in any crisis. Managers need to keep employees informed and equipped with the resources and tools necessary to manage supply challenges, and employees need to understand their roles and responsibilities as the organization adapts to new processes, timelines and uncertainty.
- + Employees need to know what is happening across the organization and how to act on the information they receive. It is also important to listen to employees as they are navigating remote work, personal lives and increased stress levels.

### Customers and the consuming public

- + Supply chain issues are complex, and different stakeholders may have different priorities and expectations of the company. For example, many consumers are only concerned with cost, quality and delivery issues. But employees, activists and some consumers may also seek affirmation that there is no forced or slave labor, or environmental damage, in the supply chain. Communications should be nuanced to address the diverse priorities and expectations of different stakeholders.
- + Some retailers are already urging customers to get their holiday shopping started earlier than in past years. And some are asking shoppers to be prepared to look for second and third choices on popular toys, apparel and consumer electronics. Make sure customers have real-time information about buy-online-store-pickup and curbside pickup procedures.
- + Show empathy for customers who are frustrated or angry. When customers are inconvenienced, it's important to empathize with them and signal that the company is committed to making it right. Compassionate words and tone are equally important. Communicate honestly and straightforwardly on what is causing the product shortage or delay and what is being done to resume normal business transactions and maintain valued relationships. The aim is to manage – not lower – customer or consumer expectations. Open and transparent communications will help.
- + A fast and functional website is critical to handling higher seasonal web traffic and offering consumers a positive e-commerce experience. Consider creating a central information hub where timely and relevant information can be housed and shared. This can help keep audiences informed of changing events and be a source of reliable, real-time information.
- + It is important to establish a common set of terms, metrics and vocabulary for use in all communications. Establish the primary metric that indicates product availability and consistently refer to the metric to show progress.

### Monitor and manage mis/disinformation

- + During business disruptions or product delays, customers can quickly become impatient and frustrated. Rumors and misinformation can ramp up and ripple out across media and social platforms, especially if there is a vacuum in authentic communications from the company's leadership. Monitor the conversation on social media platforms and consumer hotlines. Listen to what your sales and customer relations teams are hearing.
- + Address falsehoods early and head-on, with clear and fact-based information and data, to fight back against misinformation.

## HOW DID WE GET HERE?

There is no single cause in supply chain disruptions. All parts of the global logistics infrastructure – seaport facilities, shipping and air cargo routes, domestic trucking and rail systems – have experienced weaknesses and bottlenecks. Disruptions are being compounded by shortages in labor across multiple industries. There is also increasing political and public spotlight being cast on supply chains given their importance to national security, human rights and environmental concerns.

Here are the major events and important context for how we got here:

- + **Cracks in global supply chains began to emerge before the COVID pandemic and economic lockdowns.** They accelerated when the global economic engine was turned back on and manufacturing and trade resumed. Restarting shipping and delivery logistics – which require precision timing and predictability – has turned out to be a more significant challenge. The Asia-to-U.S. trade route has been particularly impacted, with some vessels waiting for as long as two weeks to unload their cargo in Southern California ports. This leads to cascading rail and trucking delivery delays.
- + **High demand for strategic materials has impacted many business sectors,** such as semiconductors critical to the automotive, appliance and consumer electronics industries, lumber for housing, and medical supplies and equipment.
- + **Unplanned events,** from winter storms to hurricanes, also impacted deliveries. A cargo ship blocked the critical Suez Canal route for six days, and the resulting backlog created more than 60 days of trade disruption.
- + **Shortages in vital logistics infrastructure,** such as shipping containers, warehousing capacity and truck drivers, have combined to drive intense competition among producers and increase freight costs for everyone.
- + **Consumer demand shifted during the pandemic,** with a sudden increase in online commerce and consumers adapting to remote work and lifestyle changes.
- + **Many companies in both the U.S. and Europe are facing a shortage of skilled logistics workers** – from truck drivers to warehouse and distribution center personnel – and are having to offer higher wages and benefits to attract workers.

Governments are concerned over the potential impact on national security, economic growth, inflation and employment. But there is no quick policy fix.

- + Trade tensions, export restrictions on technology and dual-use products, and a shifting of supply chains as companies look to diversify their operations, have created disruptions across **Asia**, where a third of the region's exports are electronic and tech products. Some countries vital to supply chains – such as Vietnam, Thailand and Indonesia – have been hit with Delta variant surges. China is rationing electric power amid a surge of blackouts, causing factory shutdowns.

- + Supply chains are also vehicles for policymakers, the public and consumers alike to determine if a business is operating for or against a **nation's security and economic interests**, in addition to its own company and core values.
- + The **European Union** is considering sanctions for companies when their suppliers and sub-contractors harm human rights, labor conditions, the environment or good governance. Canada, UK, the Netherlands, France and Germany have similar laws. Companies are under greater pressure to conduct due diligence and traceability procedures across their supply networks.
- + The **Biden administration** wants to invest in domestic manufacturing of critical materials such as semiconductors and electronics, clean energy and grid resilience technologies, medical supplies and equipment, telecommunications equipment and strategic minerals to minimize dependency on other countries – but this is a long-term initiative.
- + **Central banks** are monitoring this issue as part of their decision-making to determine when to raise interest rates to cool inflation and demand for goods. Federal Reserve Chair Jerome Powell recently told Congress that the current surge in prices is due primarily to supply chain bottlenecks, and the Federal Reserve sees these continuing into next year before fading.

**The bottom line:** Businesses are largely on their own to find the solutions that keep raw materials and intermediate goods flowing to their manufacturing sites and finished products delivered to retailers and customers as everyone gets ready for the holiday season.

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