



Covid-19: Poorly Digitized Supply Chains Twice As Likely to Suffer From Disruptions

QIMAone Survey 2021 on Digital Transformation in the Supply Chain

This survey was conducted by QIMA, a leading provider of supply chain compliance services and software solutions. Drawing from the input of 700+ businesses around the world across a variety of consumer product segments, this report analyzes the ongoing trends related to supply chain visibility and digital transformation of sourcing, including the impact of the COVID-19 pandemic on the evolution of the digital supply chain.



Table of contents

- 1 Digital Supply Chains Prove Instrumental for Navigating Disruption 3**
 - 1.1. Companies with a low degree of supply chain digitization were twice as likely to suffer from serious product quality and supplier communication issues 3
 - 1.2. Product quality, ethical sourcing and supplier communication all felt tangible impact of the pandemic in 2020..... 3
 - 1.3. Supply chain visibility on the list of top challenges of 2021..... 3

- 2 High Demand for Advanced Supply Chain Solutions Drives Ever-Faster Digital Transformation4**
 - 2.1. COVID-19 doubled the pace of supply chain digitization in 20204
 - 2.2. A digital supply chain is quickly becoming the norm, with 94% businesses reporting at least some degree of digitization; however, more than half (56%) have poorly digitized supply chains4
 - 2.3. Demand for better quality and compliance tools remains high in 2021, with two-thirds of companies implementing new solutions5

- 3 Supply Chain Visibility Remains a Challenge Across the Board 6**
 - 3.1. Up to 77% of businesses have blind spots in their supply chains6
 - 3.2. Two-thirds (63%) of companies would like more visibility into their supply chain processes and schedules.....6

- 4 Survey Responses and Graphs 7**

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1 | Digital Supply Chains Prove Instrumental for Navigating Disruption

1.1. Companies with a low degree of supply chain digitization were twice as likely to suffer from serious product quality and supplier communication issues

- Among those with low supply chain digitization, **14% of respondents reported product quality issues having a “very serious impact”** on their business in 2020; but for those with highly digitized supply chains, that number was cut down to just 7% ([Fig. 4](#));
- Similarly, an average 10% of respondents reported **difficulty communicating with suppliers** as having a very serious impact on their operations – compared to 19% of respondents with “mostly manual” supply chains ([Fig. 4](#)).

1.2. Product quality, ethical sourcing and supplier communication all felt tangible impact of the pandemic in 2020

- 41% of respondents reported that disruptions related to COVID-19 had a noticeable impact on their product quality ([Fig. 1](#));
- For 59% of respondents, COVID-19 related disruptions also caused tangible issues in supplier communication ([Fig. 1](#));
- **38% of respondents observed additional ethical issues in their supply chain as a result of the pandemic** (including 7% reporting new critical ethical issues) ([Fig. 2](#)).

1.3. Supply chain visibility on the list of top challenges of 2021

- Over a quarter of respondents named supply chain visibility among their top sourcing challenges of 2021, ranking it even more important than ensuring consistent product quality (26% identified supply chain visibility among their TOP3 priorities vs. 21% for product quality) ([Fig. 18](#));
- 11% respondents also expect ethical issues to be among their biggest challenges in the coming year ([Fig. 18](#));
- Among other expected challenges, businesses pointed out:
 - Supply chain transparency and traceability
 - Forecasting and demand planning issues
 - Cybersecurity
 - Communication hurdles



2 | High Demand for Advanced Supply Chain Solutions Drives Ever-Faster Digital Transformation

2.1. COVID-19 doubled the pace of supply chain digitization in 2020

- On average, two-thirds of respondents reported that they have implemented new digital solutions to manage their sourcing during 2020 ([Fig. 8](#));
- Among those who implemented new digital solutions (63%), just over half (34%) reported doing so in response to the COVID-19 related disruptions, as opposed to any other reasons and/or pre-existing plans, suggesting that **the COVID-19 crisis was a major driving force in the continued digitization of supply chains** ([Fig. 8](#));
- Perhaps unsurprisingly, given the trajectory of the pandemic, respondents based in Asia were even more likely than the rest to implement digital solutions to manage their sourcing amid COVID-19 related disruptions ([Fig. 9](#)).

2.2. A digital supply chain is quickly becoming the norm, with 94% businesses reporting at least some degree of digitization; however, more than half (56%) have poorly digitized supply chains

- As part of the survey, respondents were asked to rate the current rate of digitization in their company's supply chain, from a "mostly manual" supply chain still operating on pen and paper, to a "highly digitized" supply chain using multiple digital technologies;
- **Over half (56%) of businesses have poorly digitized supply chains**, with more than 6% still operating mostly on pen and paper ([Fig. 5](#));
- Predictably, company size affected the reported degree of supply chain digitization, with SMEs (employing less than 100 people) being twice as more likely to heavily rely on manual tools to manage their supply chains than large companies;
- **US-based respondents were somewhat more likely** to have highly and very highly digitized supply chains (48% vs. 45% in Europe and 41% in Asia) ([Fig. 6](#));
- In terms of specific industries, businesses in the Homewares sector and Electrical & Electronics brands were the most likely to have highly and very highly digitized supply chains ([Fig. 7](#)).

2.3. Demand for better quality and compliance tools remains high in 2021, with two-thirds of companies implementing new solutions

- > On the whole, **businesses feel the need to continue implementing new solutions to better manage quality and compliance in their supply chain:** two-thirds reported currently putting such new solutions in response to the COVID-19 crisis ([Fig. 11](#));
- > Those businesses that reported implementing new digital supply chain solutions during 2020 are even more likely to continue on the digitization and optimization trajectory, suggesting that businesses tend to view new QC and compliance solutions and supply chain digitization not as “one and done” measures, but as a long-term supply chain management strategy;
- > Businesses tend to view **supply chain digitization as an important tool to enable sourcing diversification:** among respondents with plans to source new suppliers in 2021, almost 70% had implemented new digital tools to manage sourcing during 2020 (vs. 52% among those with no plans to diversify sourcing in 2021)



3 | Supply Chain Visibility Remains a Challenge Across the Board

3.1. Up to 77% of businesses have blind spots in their supply chains

- When asked to assess the degree of their supply chain visibility, **less than a quarter (23%) of all respondents said they have clearly identified contacts and direct communication with suppliers that make their products.** While this is an improvement compared to the results of QIMA's 2018 survey (where only 11% of respondents reported that they know all of their suppliers), **the percentage of businesses with blind spots in their supply chains remains alarmingly high at 77%** (Fig. 14);
- Meanwhile, 15% of respondents were unable to gauge with what percentage of suppliers their company has direct contact, further highlighting the continued need for increased awareness of supply chain visibility issues (Fig. 14);
- **US-based respondents were considerably more likely to report that they know all of their suppliers**, with 30% reporting having clearly identified contacts and direct communication. By contrast, only 18% of respondents based in Asia could say the same (Fig. 15);
- Viewed by industry, Footwear, Food and Textile and Apparel brands, where supply chain traceability and visibility have been front news for years, were the most likely to know all suppliers in their supply chains, while businesses working in Toys and Printing and Packaging came last (Fig. 16).

3.2. Two-thirds (63%) of companies would like more visibility into their supply chain processes and schedules

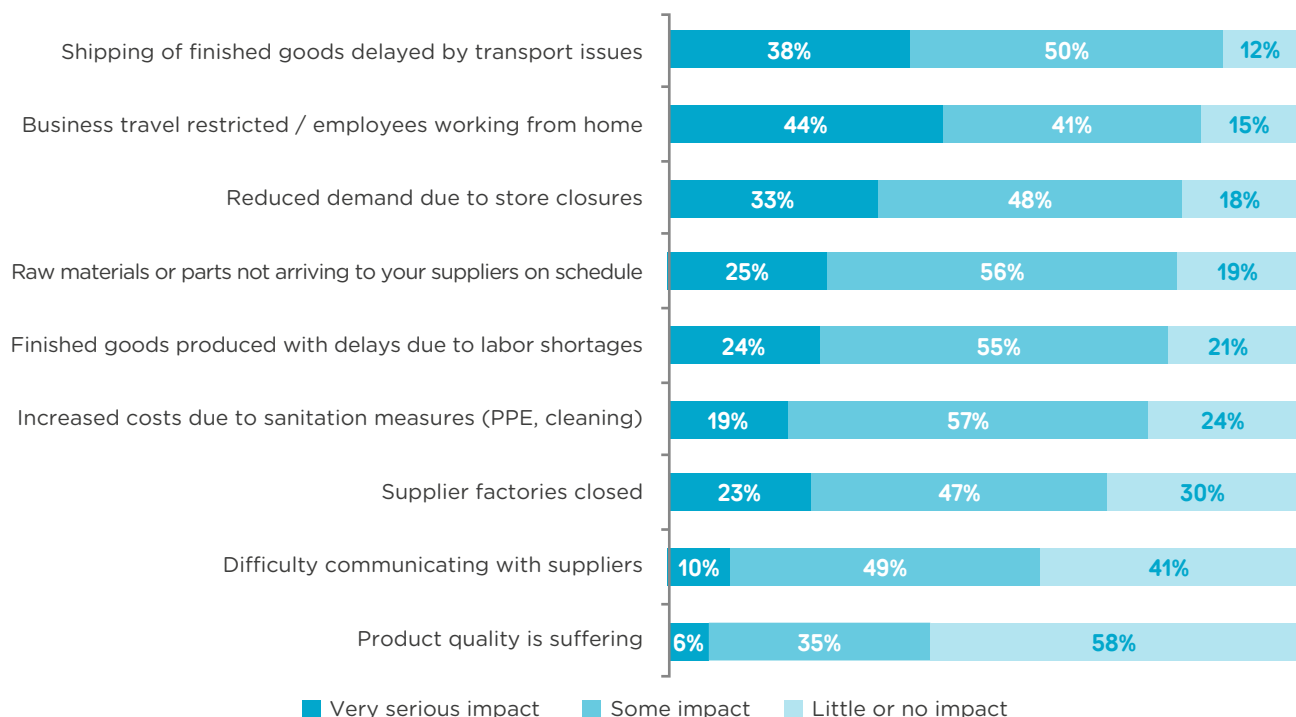
- When asked to estimate whether their company has enough visibility into their suppliers in terms of production capacity, shipment dates, and product quality, especially in connection with the ongoing COVID-19 crisis, **almost two-thirds (63%) of respondents reported that they wish they had more supply chain visibility** (Fig. 17);
- Respondents working in Textile, Apparel and Footwear felt the most confident about having visibility into their production processes and schedules (39% reporting sufficient visibility into those issues), while Toy, Homeware and Promotional Products businesses were on the opposite end of the scale (28-29%) (Fig. 19).

4 | Survey Responses and Graphs



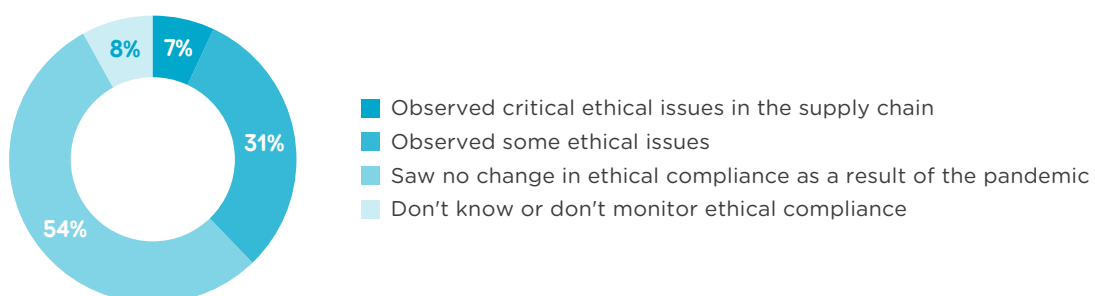
“As a result of the COVID-19 crisis, did your business experience the following issues in 2020, and how serious was the impact?”

Fig. 1. Issues faced by businesses in 2020 due to the COVID-19 crisis, ranked from high to low impact



“Would you say that the pandemic has negatively affected the state of ethical compliance in your supply chain? (Issues such as human rights, working conditions, child labor, etc.)”

Fig. 2. New ethical issues faced by businesses in 2020 due to the COVID-19 crisis

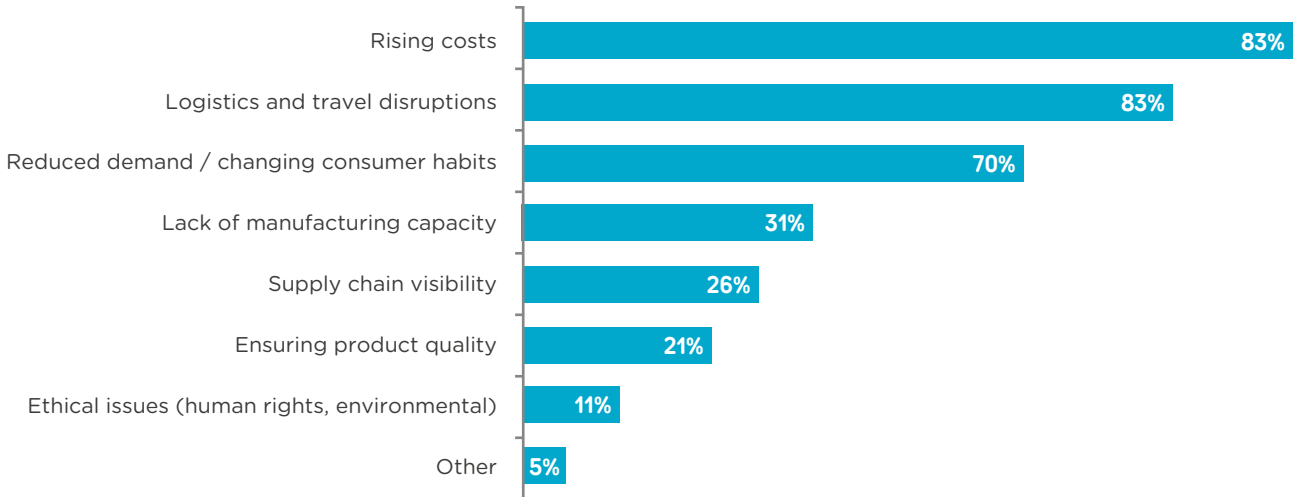




"In your opinion, which of the following will be the biggest challenges to your sourcing in 2021? (Please select three)"

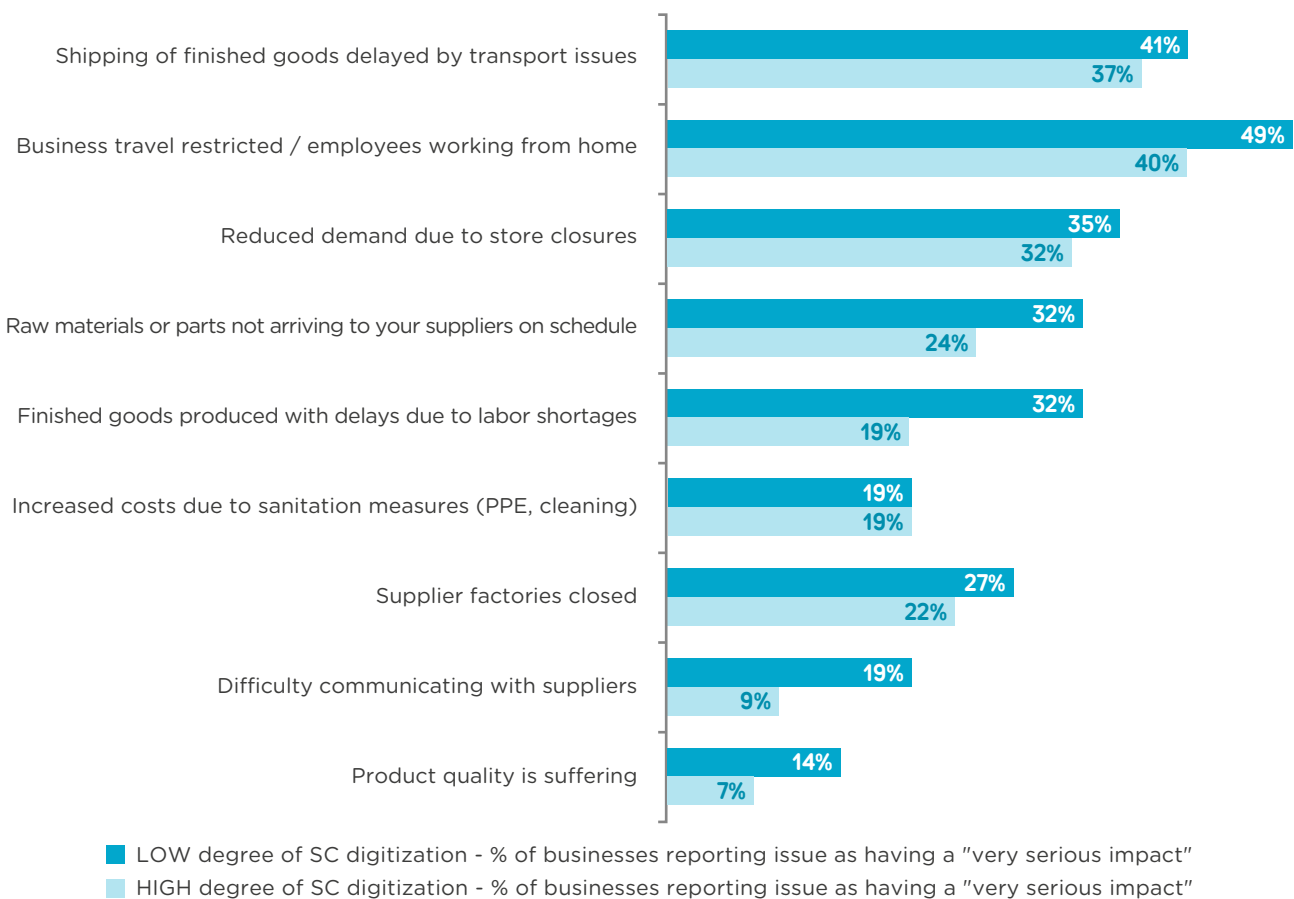
Fig. 3. TOP3 expected challenges to sourcing in 2021

Totals in excess of 100% due to multiple responses



"As a result of the COVID-19 crisis, did your business experience the following issues in 2020, and how serious was the impact?"

Fig. 4. Percentage of businesses ranking the respective issues brought on by the COVID-19 crisis as having "very serious impact" – by degree of supply chain digitization





“How would you rate the current degree of digitization in your company’s supply chain? On a scale of 1 to 5, with 1 meaning a supply chain still operating mostly on pen and paper, and 5 meaning a highly digitized supply chain using multiple digital technologies”

Fig. 5. Degree of supply chain digitization as estimated by businesses

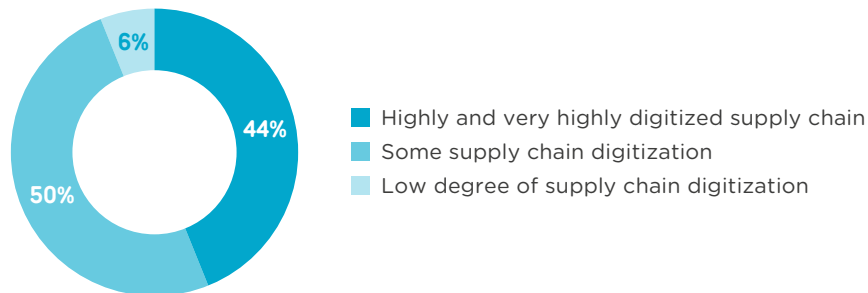


Fig. 6. Degree of supply chain digitization as estimated by businesses – by HQ location

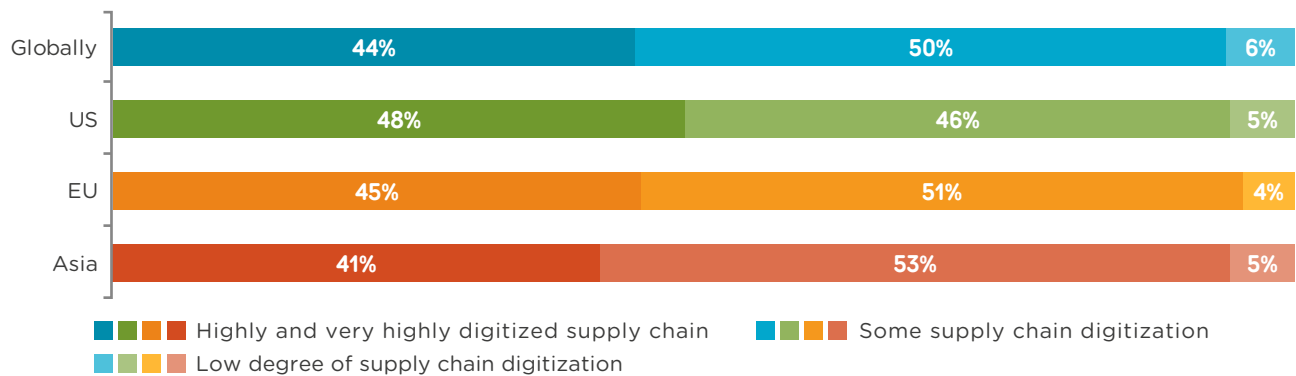
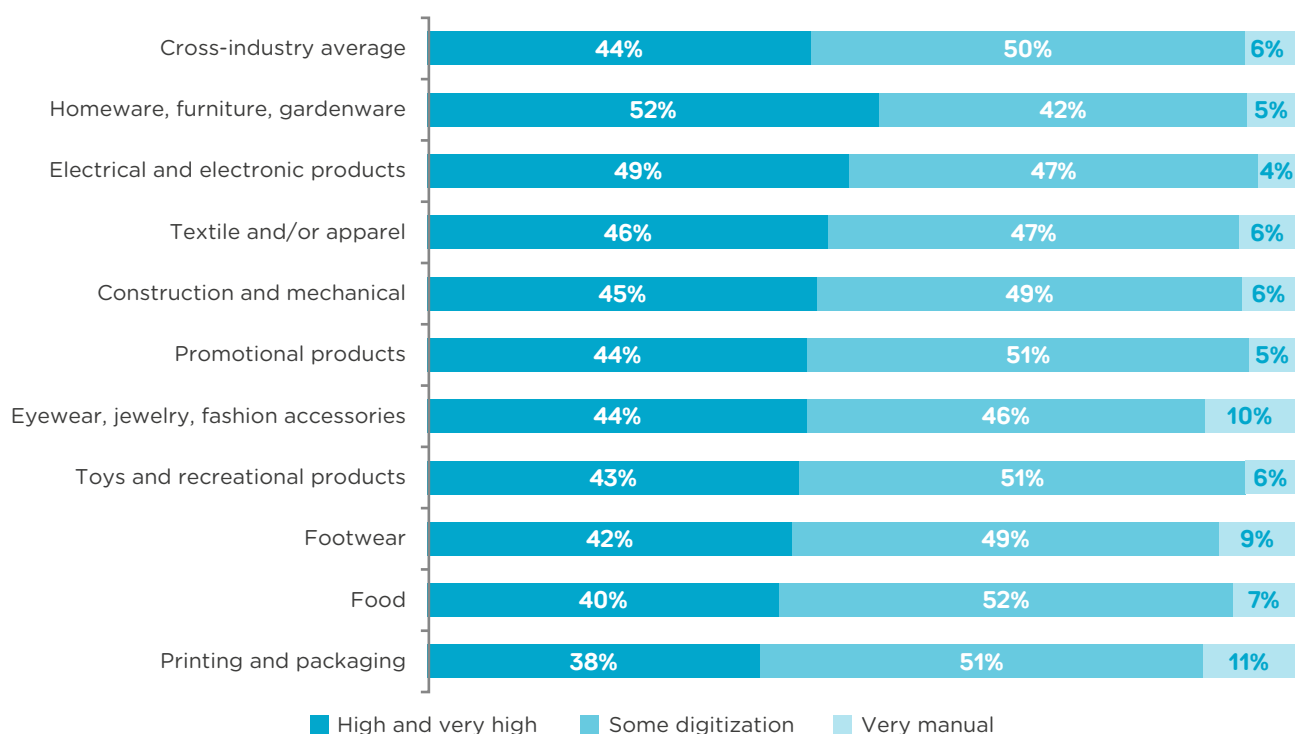


Fig. 7. Degree of supply chain digitization as estimated by businesses – by industry





“During 2020, has your business made its supply chain more digital / implemented new digital tools to manage sourcing?”

Fig. 8. Percentage of respondents that implemented new digital tools to manage sourcing in 2020, due to the COVID-19 crisis or for other reasons

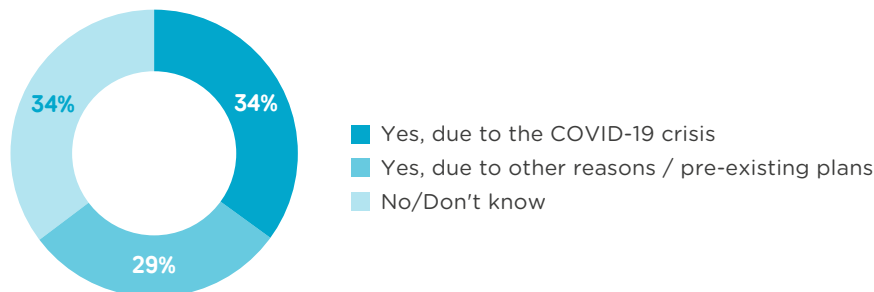


Fig. 9. Percentage of respondents that implemented new digital tools to manage sourcing in 2020, due to the COVID-19 crisis or for other reasons – by HQ location

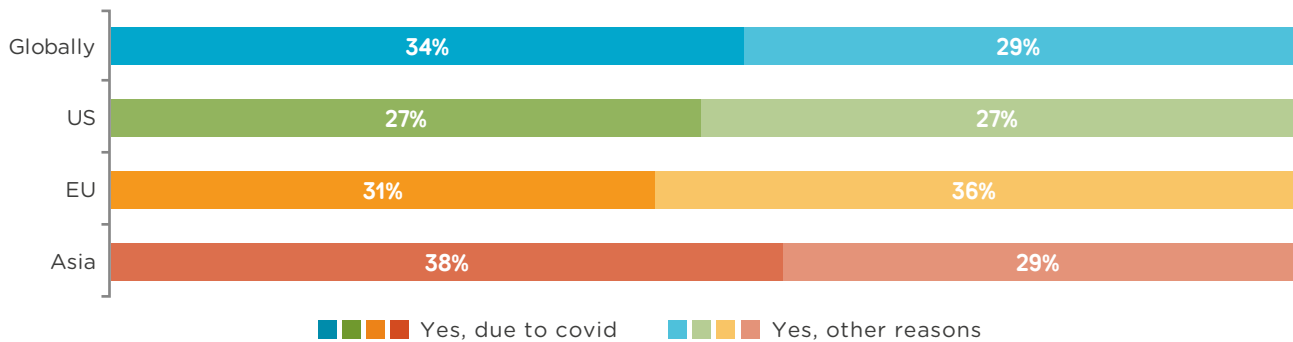
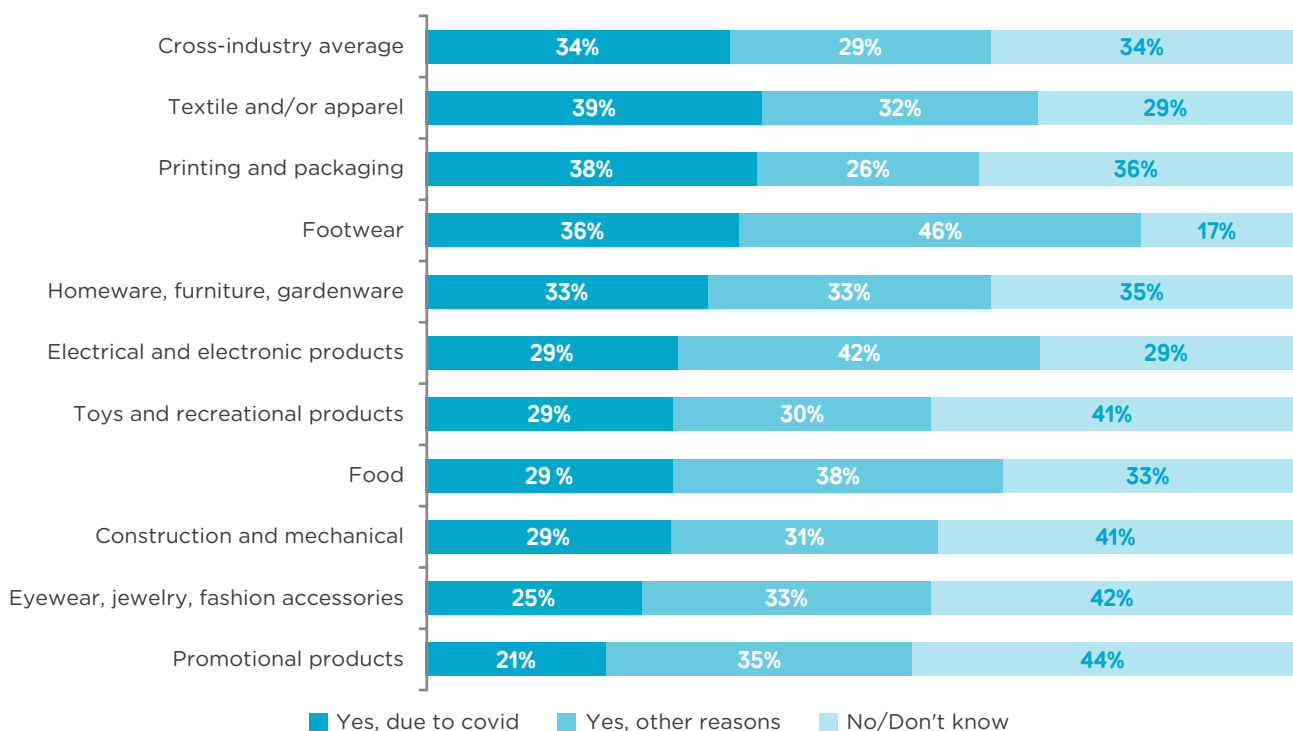


Fig. 10. Percentage of respondents that implemented new digital tools to manage sourcing in 2020, due to the COVID-19 crisis or for other reasons – by industry





“Due to the COVID-19 crisis, is your company putting in place new solutions to better manage quality and compliance in supply chain?”

Fig. 11. Percentage of respondents that are implementing new solutions to manage quality and compliance in their supply chain due to the COVID-19 crisis

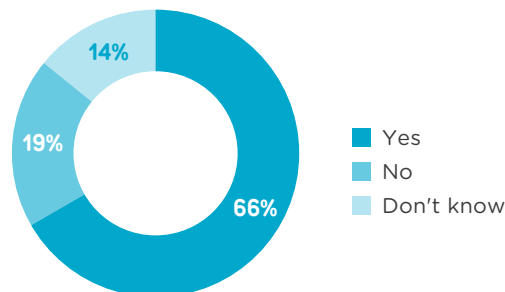


Fig. 12. Percentage of respondents that are implementing new solutions to manage quality and compliance in their supply chain due to the COVID-19 crisis - by HQ location

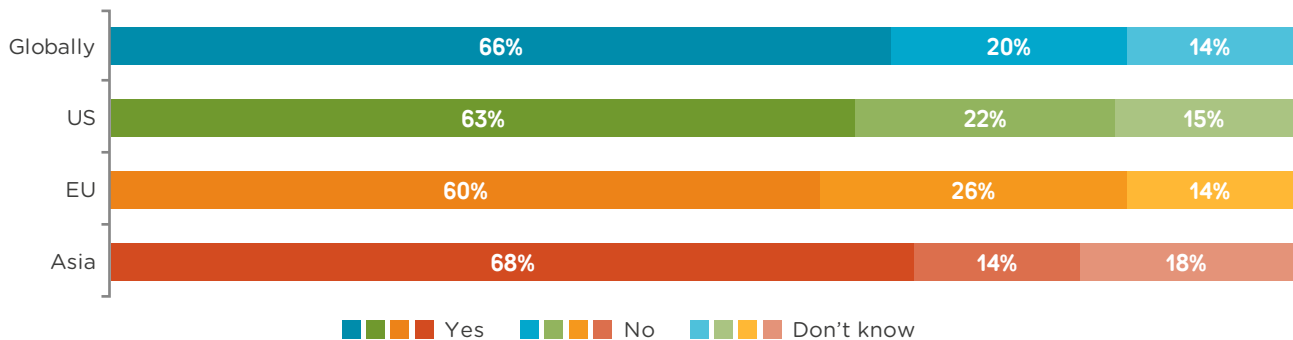
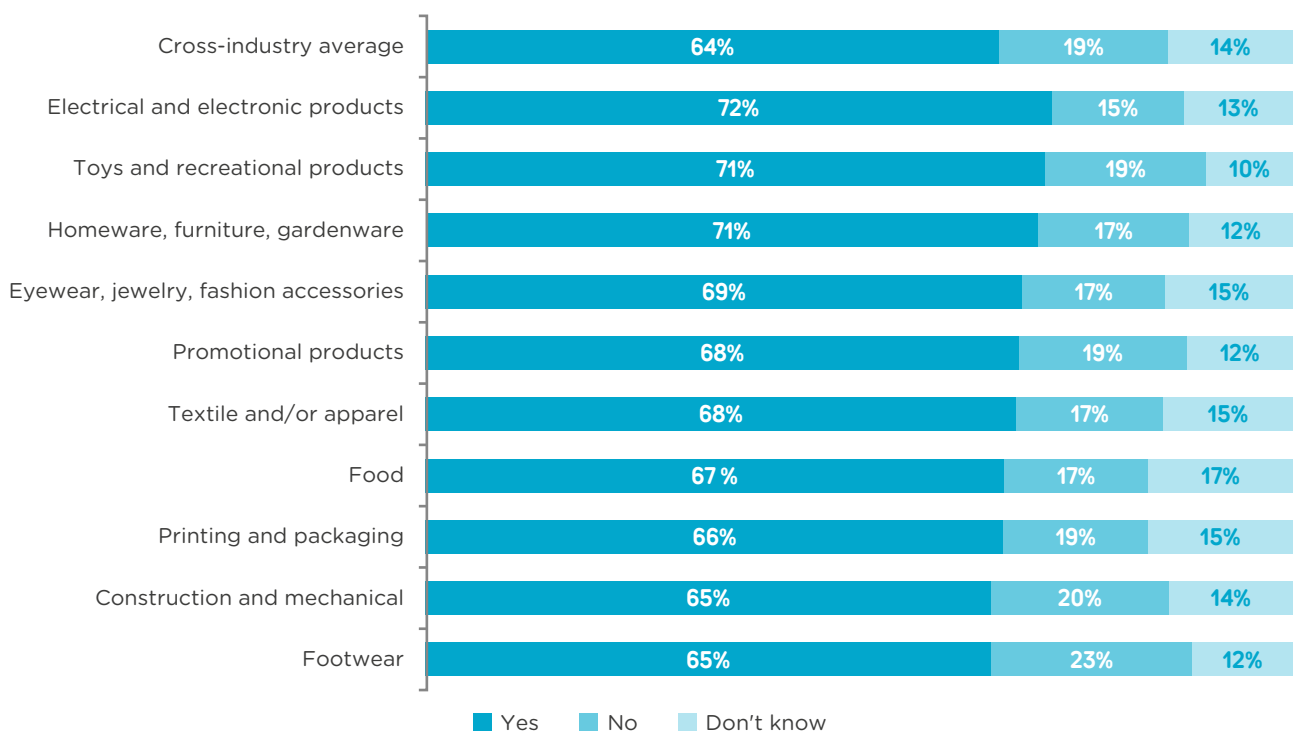


Fig. 13. Percentage of respondents that are implementing new solutions to manage quality and compliance in their supply chain due to the COVID-19 crisis - by industry





*“In your opinion, what approximate percentage of the suppliers involved in the making your products does your company know?
(As in: clearly identified contacts and direct communication with these suppliers).”*

Fig. 14. Estimated supply chain visibility, defined as clearly identified contacts and direct communication with suppliers

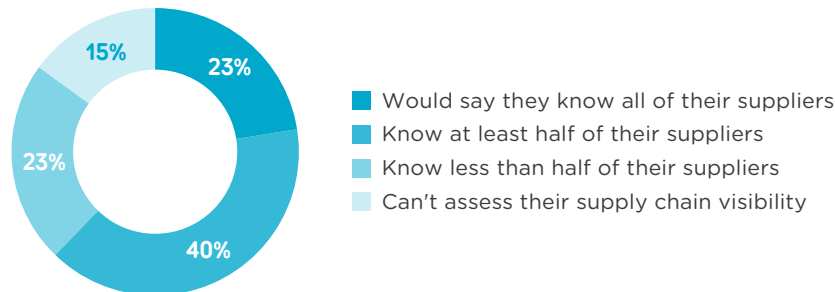


Fig. 15. Estimated supply chain visibility, defined as clearly identified contacts and direct communication with suppliers – by HQ location

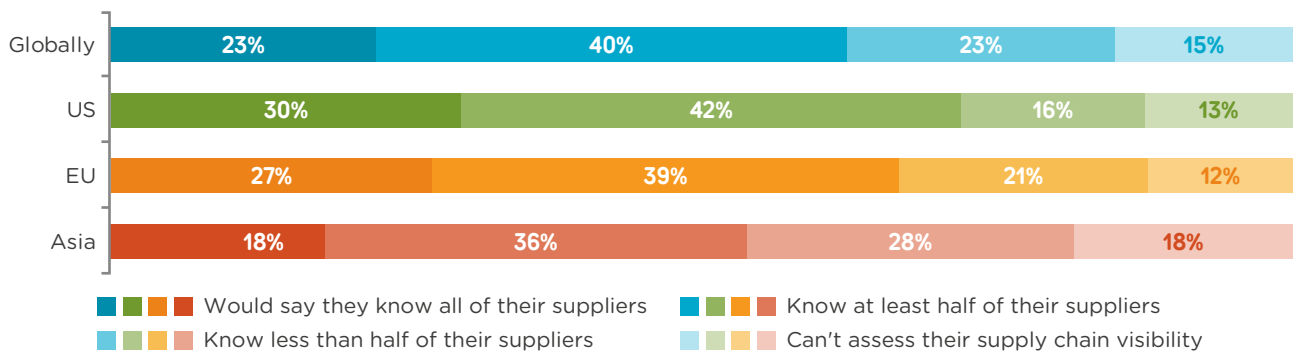
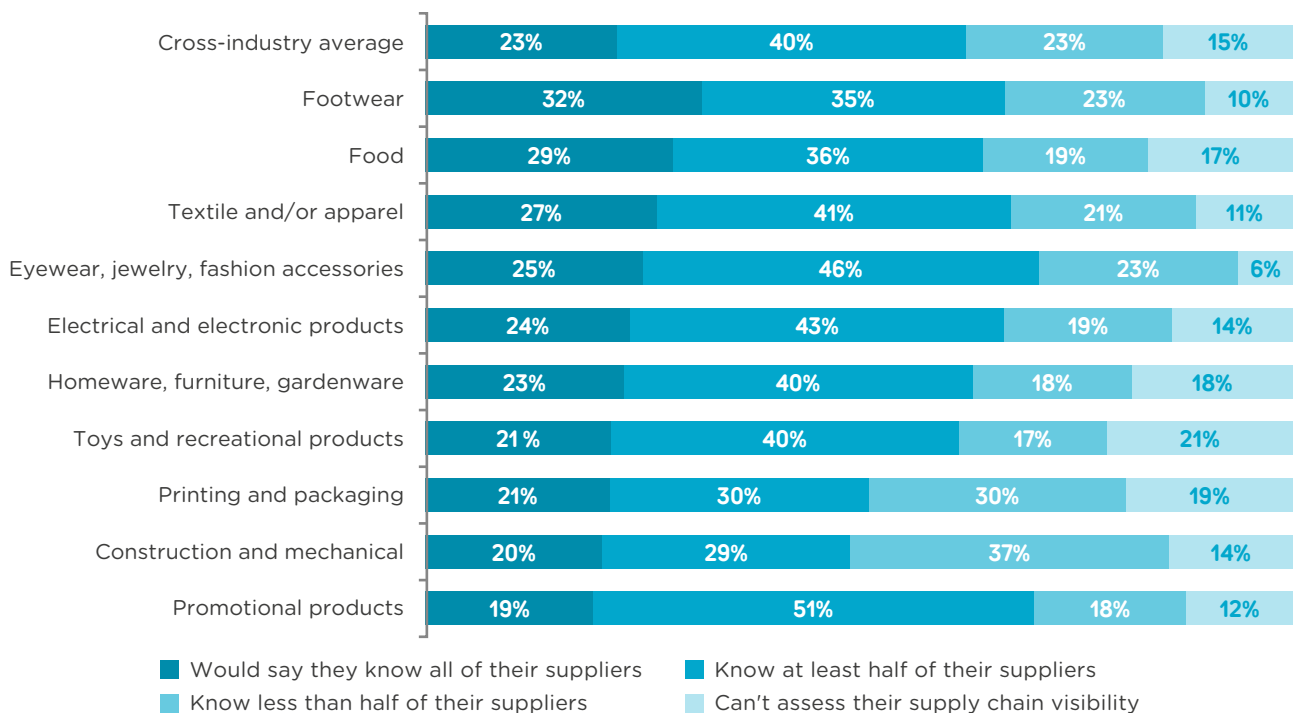


Fig. 16. Estimated supply chain visibility, defined as clearly identified contacts and direct communication with suppliers – by industry





“In connection with the ongoing COVID-19 crisis, would you say that your company currently has enough visibility into your suppliers, in terms of production capacity, shipment dates, product quality, etc.?”

Fig. 17. Estimates on whether a business’s supply chain visibility is sufficient, given the current sourcing environment and disruptions



Fig. 18. Estimates on whether a business’s supply chain visibility is sufficient, given the current sourcing environment and disruptions – by HQ location

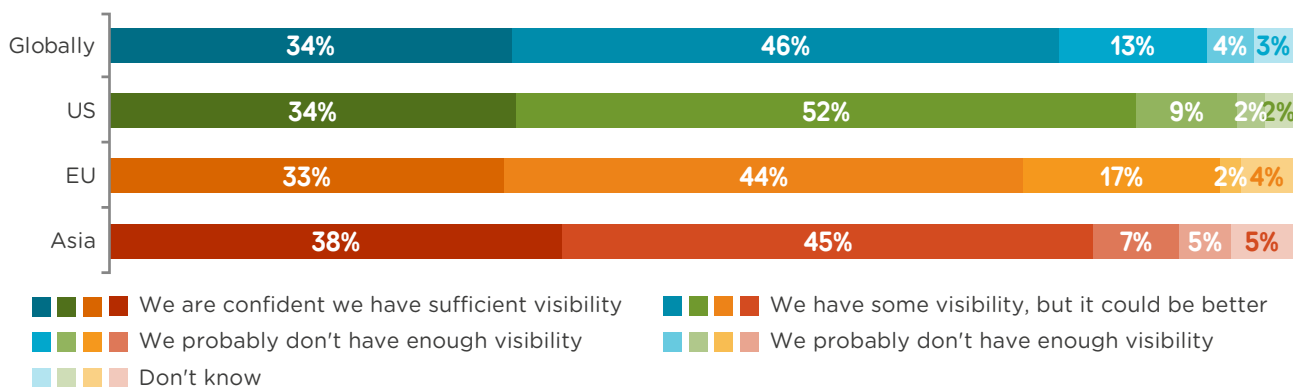
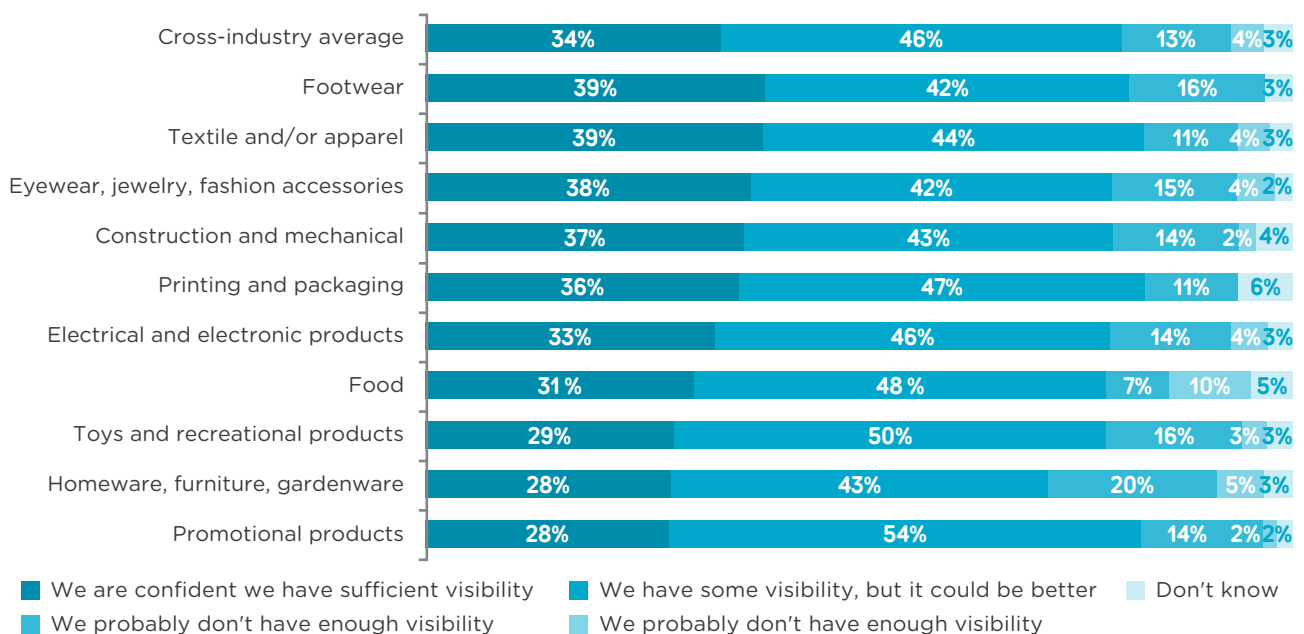


Fig. 19. Estimates on whether a business’s supply chain visibility is sufficient, given the current sourcing environment and disruptions – by industry





QIMAone: A Smart and Collaborative Quality and Compliance Solution

At QIMA, our mission has always been to make it easier for our clients to manage and optimize their supply chains, through the use of our services and real-time supply chain intelligence. With QIMAone, we've put all our expertise from millions of inspections and audits into a fully configurable platform that makes it easier than ever to take control of quality and compliance of your products and suppliers.

A smart and collaborative platform empowered with best quality assurance practices and the global presence of thousands of QIMA inspectors, QIMAone helps you deliver flawless products on time while securing profits and brand image with partners you can trust.

QIMAone: One Platform. Smarter Control. Trusted Collaboration.