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Supply Shock

Illuminating a more resilient future for food, retail and consumer goods

The conflict in the Middle East has added additional pressure to already fragile food, retail and consumer goods value chains. The immediate impacts are clearly visible in fuel shortages, higher oil prices, freight disruption, and rising costs for agricultural inputs, ingredients, packaging and transport. Across the value chain, this means another round of cost inflation and supply chain disruption.

The consumer backdrop makes these challenges more acute. Higher transport and input costs flow through to prices, while households already under cost-of-living pressure become more price sensitive and less willing to absorb further increases.

In some parts of Asia Pacific, this escalates challenges of food scarcity and access. In others, shoppers will look to trade down, buy less, switch channels, and become more deliberate about what goes into the basket.

In this environment, businesses need to protect margins without damaging demand, loyalty or trust. Managing this supply shock in ways that strengthen long-term resilience against rising volatility can build enduring advantage.

Now: Stabilise supply and manage volatility

The priority is to stabilise core supply and manage volatility through clear visibility of risk exposure. From shortages of daily food staples in India, to stock gaps for Korean cosmetics and Chinese cleaning products, impacts are being seen differently across the region.

As an immediate response, organisations could establish a cross-functional Control Tower covering fuel, freight, key raw materials and critical SKUs, with weekly reforecasting of demand, inventory and supply risk. A rapid supply chain audit can give the Control Tower essential insights on current and emerging vulnerabilities.

Alternate carriers, routes and suppliers should be secured quickly, and where transport capacity tightens, priority should be given to essential, high-margin and high-velocity products.

Selective safety stock may be appropriate for genuinely critical inputs, but broad inventory builds can create unnecessary working capital pressure. At the same time, retailers and consumer goods companies should reduce fuel and logistics exposure wherever possible. That means optimising routes and loads, consolidating shipments, reviewing replenishment settings and service priorities, and reducing costly expedited deliveries. A modern digital and data foundation providing real-time analytics can accelerate decision-making on these critical inventory, transport and logistics metrics.

Commercial responses need to be equally precise. Blanket price increases can accelerate volume loss when shoppers are already feeling the impact of higher grocery bills.

A better approach is targeted pricing by category, pack size, channel and segment, supported by stronger price-pack architecture and tighter promotion discipline. Entry price point ranges and value lines should remain visible and available, while loyalty and customer data can be used to target offers more effectively.

Procurement, brand and product teams also need to move quickly to challenge input cost increases through should-cost analysis, supplier negotiations, packaging changes, formulation adjustments and SKU simplification.

Customers judge ‘value’ on more than price – Deloitte’s 2026 retail outlook finds a material share of perceived brand value is driven by other factors including quality, service, checkout ease, loyalty and employee interactions.[1] Alongside recovering cost, the aim is to maintain trust by protecting affordability on products that matter most to customers, and uphold perceived value through the end-to-end retail experience.

1 Deloitte (2026). Global Retail Industry Outlook. (*https://www.deloitte.com/us/en/insights/industry/retail-distribution/retail-distribution-industry-outlook.html*)

Strategic scan:

- Are your governance, forecasting and data capabilities efficient enough for responding to simultaneous supply risks?
- Where can fuel and logistics exposure be reduced through business optimisation?
- Which price and category moves will do most to protect customer trust and perceived value?

Next: Accelerate investment in dynamic and adaptive business systems

This is the right time to accelerate investment in agentic and AI-enabled capabilities. Cost pressure often forces businesses to focus on immediate savings, but it can also create a stronger case for technologies that improve decision quality, automate routine work and unlock growth.

In marketing, agentic tools can dynamically personalise offers, optimise promotional spend, generate campaign content faster and improve media efficiency, helping businesses to protect demand while reducing wasted spend. In planning, AI agents can support demand sensing, scenario modelling and inventory optimisation, allowing procurement and product teams to respond faster to disruptions, margin pressure and tariff changes with less manual effort.

In-store, the opportunity is equally significant. AI-enabled labour scheduling, shelf monitoring, stock-out detection, task management, service assistants and computer vision can improve availability, productivity and customer experience. Used well, these tools can help offset labour and operating cost pressures while also supporting revenue through better execution and conversion.

The closure of the Strait of Hormuz is only the latest expression of global trends accelerating in velocity: trade tensions, deglobalisation and geopolitical conflict.

Retail and consumer businesses should anticipate more frequent disruption and build structural resilience now. Supply footprints may need to be redesigned, with greater regionalisation, nearshoring or dual-sourcing for critical inputs.

Distribution networks should be reviewed to reduce transport intensity and improve flexibility. Businesses can also lower structural cost by simplifying portfolios, rationalising low-value SKUs, standardising components and reducing packaging and product complexity.

Capabilities matter just as much as footprint. Retailers and consumer goods companies should strengthen revenue growth management so they can respond to inflation and supply volatility with better pricing, promotion and mix decisions.

Planning processes such as sales and operations planning (S&OP) or integrated business planning (IBP) should become faster and more integrated, combining demand, supply, pricing and margin decisions in one process. Better visibility tools, supplier risk monitoring and scenario planning can help leadership teams move earlier and with more confidence. Increasingly, that capability stack should include agentic systems embedded into core workflows. Long-term advantage will come from combining human judgement with AI-driven speed and insight across the enterprise.

Strategic scan:

- Where can your business move from AI-pilots into full scale deployment to improve dynamic and adaptive capabilities?
- Which parts of your portfolio or operating model would you redesign from first principles if resilience were treated as a growth lever?

Future: Reduce long-term exposure to energy and freight volatility

Investments in fleet efficiency, lower-emissions transport, warehouse and store energy efficiency, and smarter network design can all help reduce dependence on oil-linked cost drivers over time.

Rapid improvements in electrified clean tech are making investment in energy resilience increasingly cost-effective and government grants and incentives are often available to support the business case.

Offtake agreements for low carbon liquid fuels are also an option where electrification is not yet viable.

Deloitte's capital asset and business transformation specialists identify investments that optimise for ROI and resilience together. None of these moves eliminates geopolitical risk, but they can make the business materially less vulnerable when disruption hits.

Strategic scan:

How could investments in cleaner energy optimise for efficiency, cost and resilience across your business?

The companies that respond best will avoid treating this supply shock purely as a short-term cost problem.

Leading businesses will act quickly to secure supply, control costs and manage pricing carefully. While doing this, they will also use the disruption to simplify operations, redesign their supply chain and accelerate digital and agentic capabilities. Together, this will reduce cost, improve agility and support growth.

Resilience is the new competitive advantage. Investing in it now can deliver long-term dividends in an increasingly volatile environment.

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