

Supply Chain

Challenges, Trends, and Priorities for 2023



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2022 in review

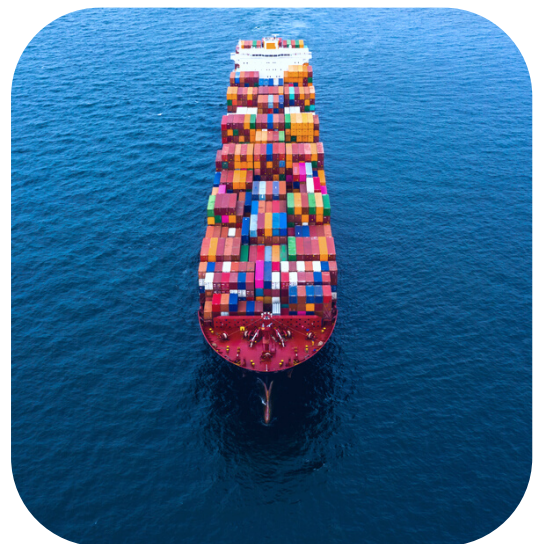
2022 was another tumultuous year for wholesalers, manufacturers, and suppliers. The [ABS](#) reports that (as of June 2022 figures) 31% of Australian businesses had difficulty finding suitable staff. On top of this, 46% experienced increases in their operating expenses, and 41% faced supply chain disruptions. While supply chain disruptions are still elevated, reported figures have remained steady since peaking in January 2022 (47%).

The year has also been a mixed bag of issues affecting the supply chain. As inflation fears weigh on consumers, [consumer spending](#) that saw growth throughout 2022, Q3 and Q4 has since softened. Retail trade tells a similar story, with the [ABS](#) citing a 17.9% increase in September 2022 turnover compared to the same period in 2021, though a more modest month-on-month increase of only 0.6%.

Digital habits formed during the pandemic are also here to stay. 93% of respondents in a recent [Australia Post](#) survey said they'd maintain or increase their online shopping activity during 2022.

These, and many other underlying factors including ongoing chip shortages, rising fuel and material costs, and geopolitical concerns, have brought continued uncertainty to demand throughout the supply chain.

Here are the major roadblocks to supply chain fluidity witnessed in 2022.



Workforce shortages and turnover

Labour shortages affected almost every market globally throughout 2022. In Australia, seasonal and high-turnover roles continued to be impacted by border closures. Far fewer international workers saw a shrinking of available talent pools. Turnover of existing staff was also a compounding issue.

As of September 2022 data from the [ABS](#), all industry divisions recorded year-on-year increases in business turnover compared with the COVID-19 Delta period in September 2021. The Transport, Postal and Warehousing sector saw a massive 40.0% increase. However, it also showed a 2.0% decrease from August 2022 to September 2022 – perhaps one positive sign of improvement to the labour situation heading into 2023.

Nearly all (94%) of Australian respondents agree that accurate ESG data of their suppliers is important to understand supplier risk.



Equipment availability holding back optimal execution

2022 brought a growing demand from consumers, customers, and investors to see ESG initiatives implemented by suppliers. In research published by [Coupa](#), nearly all (94%) of Australian respondents agree that accurate ESG data of their suppliers is important to understand supplier risk. But unfortunately, more than half (60%) said that data on their suppliers' ESG credentials is only somewhat available or not really available.

The need to decarbonise fleets, operate more sustainably, and support emerging ESG policies have often required new technologies and equipment to be implemented – all at a time when manufacturing shortages are still ongoing.

The challenge of equipment availability has held many parts of the supply chain back from optimal execution and meeting customers' developing expectations.

Bottlenecks at critical junctures

Bottlenecks at critical junctures of the supply chain were again a common theme in 2022. Equipment and materials already in short supply were further delayed at vital points, stopping goods and materials from flowing as effectively. These setbacks, in turn, caused greater ripples in the supply chain network, which threaten to continue into the new year.

The effect of chip shortages on car supply is a perfect example of compounding issues arising from key bottlenecks. When the pandemic first hit, automakers and their suppliers drastically reduced their semiconductor stockpiles and orders. As lockdowns and travel restrictions began to ease, the industry realised that chipmakers had moved manufacturing resources to end markets to support the increasing demand for business and consumer products, such as data centres, computers, and home electronics equipment. When demand for automobiles rebounded faster than anticipated in Q3 and Q4 of 2020, there was little capacity for the automotive sector. Consumers are now left waiting months for new cars as the automotive industry loses billions. Research from [Allianz](#) reveals that the semiconductor chip shortage has left a shortfall of about 18 million vehicles worldwide, costing the European automotive sector around €100 billion.

Port congestion and shipping delays

Supply chain issues caused by port congestion and shipping delays were high at the start of 2022. Lockdowns causing worker shortages and soaring demand saw delays at ports, with limited container availability aggravating the problem.

Disruptions have begun to ease, however, as Chinese exports slow in light of waning demand from Western economies and softer global economic conditions.

[Flexport research](#) shows that ocean delivery times are now their fastest since January 2021.

While shipping times are still well above pre-pandemic levels, the continued decline shows a positive step towards a more normalised 2023.

Fig. 1 Ocean Delivery Times Continue to Fall

Cargo Ready Date to Destination Port Departure, to 11/20/22





Top trends to managing supply chain disruption in 2023

Automation

Before COVID-19, automation was seen as a long-term financial decision that needed to be carefully planned out and proven in terms of ROI. Now, the case for automation has become more about risk mitigation.

By actively planning and investing in the automation of various points throughout the supply chain, executives can optimise the efficiency of operations and significantly reduce their risk exposure.

Automation of warehouse operations throughout receiving and item putaway, inventory tracking and pick, pack and ship processes will be a key objective in 2023. Automation of vehicles to move around items and containers, and a more automated approach to [demand planning and budgeting](#), will also drive efficiency gains while minimising risk.

Coordination

Greater communication and transmissibility of data around processes and challenges will increase overall supply chain visibility in the year ahead. In addition, real-time data and a holistic understanding of partners throughout the end-to-end supply chain will help all suppliers react faster to unexpected changes and act against future challenges before they become critical issues.

Production rates, goods locations, delivery schedules and other real-time data about materials, components, and finished products will make it faster and easier to identify disruptions and safeguard productivity.

The integration of cloud-based systems, such as [NetSuite ERP](#), with partner systems through secure API functionality is enabling this live visibility and coordination of previously disconnected parties throughout the supply chain. With better coordination and real-time communication, executives will make faster, more informed decisions in the year ahead.

Digital transformation

Digital transformation has become a much-heard buzzword throughout the pandemic, but how does it apply to supply chain management?

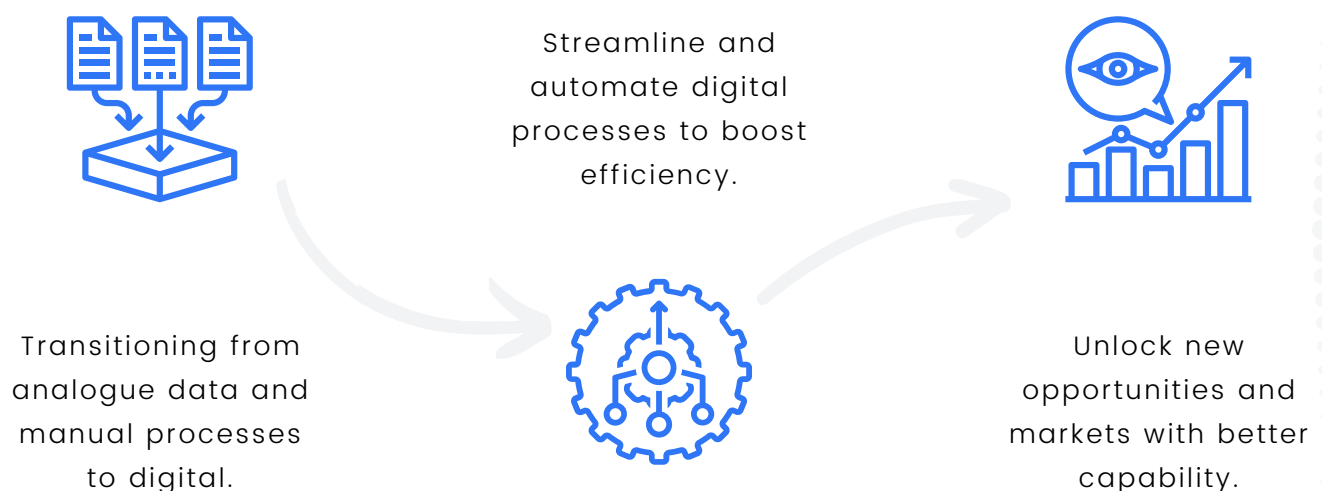
To take a step back, the process of digital transformation is essentially:

- The transitioning of analogue data and manual processes to purely digital systems.
- Automation and streamlining of that digital information to work more efficiently.
- The establishment of additional digital platforms and processes that allow suppliers to become more proactive, increase bandwidth, and reach new markets.

The entire supply chain process has historically been very paper-based. But as more carriers, authorities, and government agencies continue transitioning to digital formats and systems, digital transformation will enable executives to manage business operations much more effectively.

Additionally, digital transformation initiatives will further enable companies to automate processes and coordinate with partners, suppliers, and customers within the supply chain.

What is digital transformation?



03 Which priorities will help suppliers see a brighter 2023?

Priority 1 – Risk Management

Businesses in 2023 will need to identify risks within their supply chain and develop strategic ways to minimise those risks.

Two types of risks can be considered when developing a risk management plan:

External risks such as changes to supply and demand, environmental influences such as economic, social, governmental, and climate factors, business factors like financial restrictions or stability of suppliers, and physical issues such as supplier facilities and regulatory compliance obligations.

Internal risks such as personnel, management and business structure changes, poor planning and control, lack of contingencies for various scenarios, and cultural risks that may make the business slower to react to changes.

While external risks remain outside your organisation's control, you can still take various steps to minimise their impact. For example, a tactic employed by many retailers, wholesalers, and manufacturers throughout the pandemic has been localisation and diversification of supply.

Despite higher product and material costs in some instances, having more supply options can improve supply chain redundancy. By sourcing locally, Australian companies have also reduced wait times and supply uncertainty due to international issues.

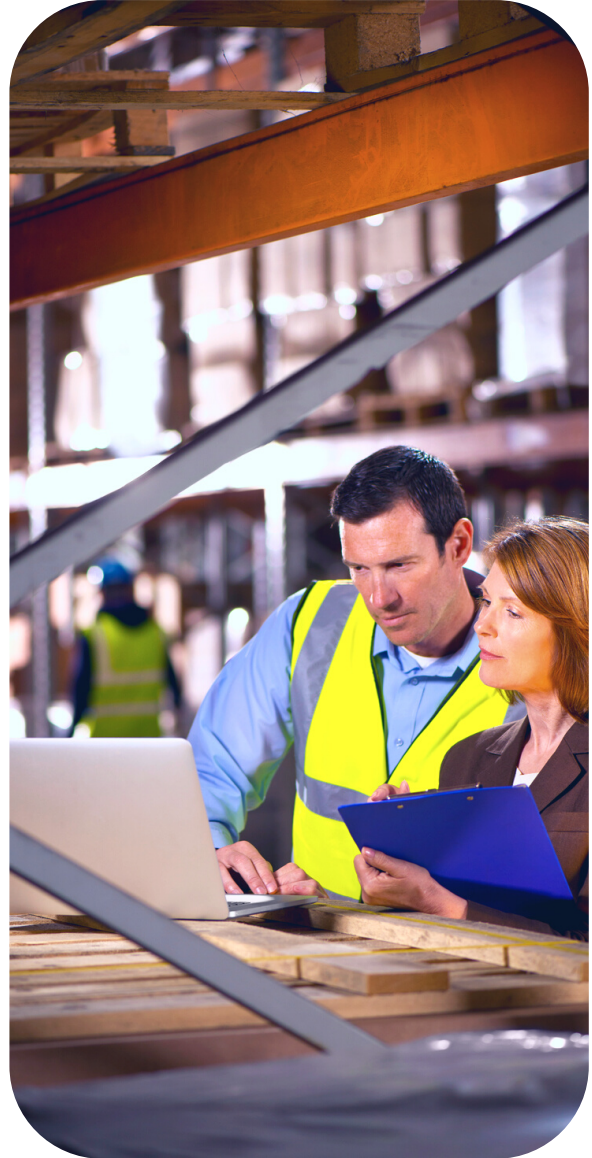
Supply chain managers and executives will look to build further resilience into operations in the year ahead, starting with a focus on relationships.

Priority 2 – Building stronger relationships

Building and maintaining solid relationships throughout the supply chain is even more crucial in the year ahead. Wholesalers, manufacturers, and vendors will need to focus on strategic relationships – not just with their customers – but also with each other.

28% of survey respondents in The Australian Supply Chains: State of Play report by [AI Group](#) said that throughout 2022, they would rely on increasing inventories to ensure inputs were more readily available when needed. A further 14% were focused on finding new suppliers within Australia to expedite supply times. These trends are expected to continue in 2023 as the concept of “buy local” extends from consumer mindsets to all business parties, from retailers to manufacturers.

The pandemic brought to light an over-reliance on a limited number of third parties, which caused major disruption throughout the supply chain. As a result, companies are now prioritising identifying and building stronger relationships with alternative trading partnerships to reduce their overall risk.



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Priority 3 – ESG

ESG may have been the buzzword of 2022, but it's also a critical business priority. What is ESG? It stands for:

- **Environmental** – The impact of your organisation on the physical world around you, including climate change, resource consumption, and carbon emissions.
- **Social** – The management of your company's relationships with customers, employees, suppliers, and the broader community.
- **Governance** – the processes, controls, and accountability that keep your organisation operating in an ethical way.

So, why is ESG important? Oracle's recent ESG study, 'No Planet B', reveals that 87% of respondents are willing to pay a premium for products and services from organisations demonstrating their progress on environmental and social issues. Shipstation also reports that 62% of younger consumers prefer to shop for sustainable and green products, with 82% wanting recyclable parcel packaging materials.

A cohesive ESG strategy can help retailers demonstrate their point of difference and connect with consumers on a whole new level. As retailers respond to consumer demands for environmentally and socially conscious products, suppliers are becoming an essential part of those retailers' brand stories. Conversely, retailers now realise that working with suppliers who don't have an ESG strategy in place can tarnish their brand. A more traditional term, 'responsibly sourced', which means the procurement of products and services in an ethical, sustainable and socially conscious way, is a perfect example of how retailers can integrate their suppliers' ESG strategies into their brand story.



For wholesalers and manufacturers, more efficient technologies, digitised operations, and optimised supply chain processes, when properly measured, can provide compelling evidence of helping to cut carbon emissions.

Priority 4 – Cyber security

Cybersecurity breaches captured the spotlight in 2022, with many prominent names caught in the crossfire. Bunnings, Amart Furniture, Twitter, Optus, and Medibank are just a few organisations to gain the wrong kind of attention over digital security issues. See [Gizmodo's](#) article about the biggest data breaches of 2022 for more information.

Companies throughout the supply chain are now hyper-aware of the need for appropriate data compliance to safeguard their information and their customers' information. All suppliers will need to carefully assess their own digital processes, and those of their supply chain partners, and enact better protection against potential attacks.

As an ERP platform born in the cloud, NetSuite's data security is of the highest standard with next-gen, secure, role-based cloud access with full audit logs.



NetSuite is one ERP system used by over 32,000 customers worldwide that brings next-gen, secure, role-based cloud access with full audit logs. As an ERP platform born in the cloud, data security is of the highest standard. See NetSuite's [Data Centre Whitepaper](#) for more information about the robust security measures employed.

Priority 5 – Better planning and budgeting

Unexpected changes and rapid shifts in product category demands make it difficult to take decisive action. In 2023, wholesalers, manufacturers, and vendors will be enabled with better financial outcomes by investing in the right planning and budgeting solutions.

Many companies still rely on spreadsheets to manage their planning and budgeting, pulling static information from multiple disconnected sources.

Without data connected and related to holistic business operations, however, a limited view with less meaningful insights can further reduce agility rather than increase it.

NetSuite Planning and Budgeting (NSPB) is a cloud-based, platform-agnostic financial planning and budgeting solution that automates labour-intensive processes.

Budgets and forecasts, “what-if” instances and scenario modelling can be generated into live reports with NSPB – all within one flexible, scalable solution.

These detailed insights can help organisations across the supply chain plan countless scenarios, reduce the effects of unexpected changes, and minimise risk.

For more information about NSPB, or a cloud ERP solution, speak to a technology expert at DWR.

A NetSuite ERP solution implemented by DWR can help safeguard your organisation from cyber risk, enable better communications with secure API integration, and give you greater visibility across your entire supply chain to make more agile decisions in 2023 and beyond.

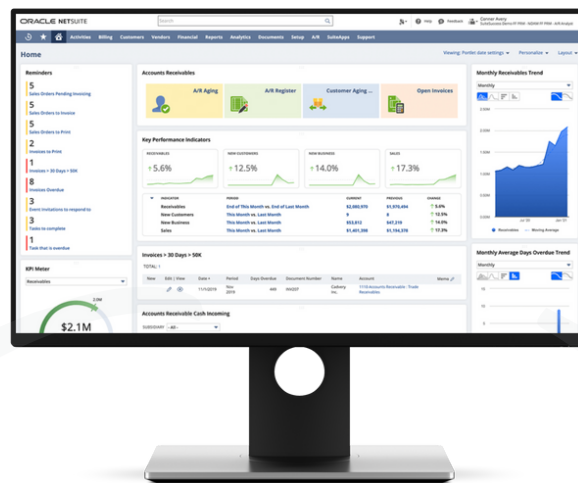


04 Why choose a NetSuite ERP system?

NetSuite pioneered cloud technology as the first company dedicated to delivering business applications over the internet. Today, NetSuite helps over 32,000 customers worldwide to unify business processes, automate, and amplify their success through their award-winning cloud-native solution.

With NetSuite's cloud-based ERP solution, wholesale distributors can boost warehouse efficiency, optimise operations, and get more products to your customers with less effort.

Your teams are empowered to work wherever (and whenever) they need with a flexible, unified platform providing secure access.



**32K customers
globally**

**1 powerful
platform**

Why implement NetSuite with DWR?

DWR is Australia's trusted NetSuite ERP solution provider bringing the right ERP technology, process framework, and business experts together.

The DWR team has executed over 250 technology projects and has a reputation for delivering on time and budget.



Aaron Mitchell

BajaRack Australia



[More case studies](#)

"Implementing NetSuite and partnering with DWR has completely transformed our business- they have helped us move to the next level."

[Talk to an ERP expert](#) at DWR.

They'll give you the advice and ideas you need to build a core digital infrastructure that enables faster, more successful digital transformation.

Take the next step to leap ahead.

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