# Battling Supply Chain Disruption in 2022 with Digital Transformation



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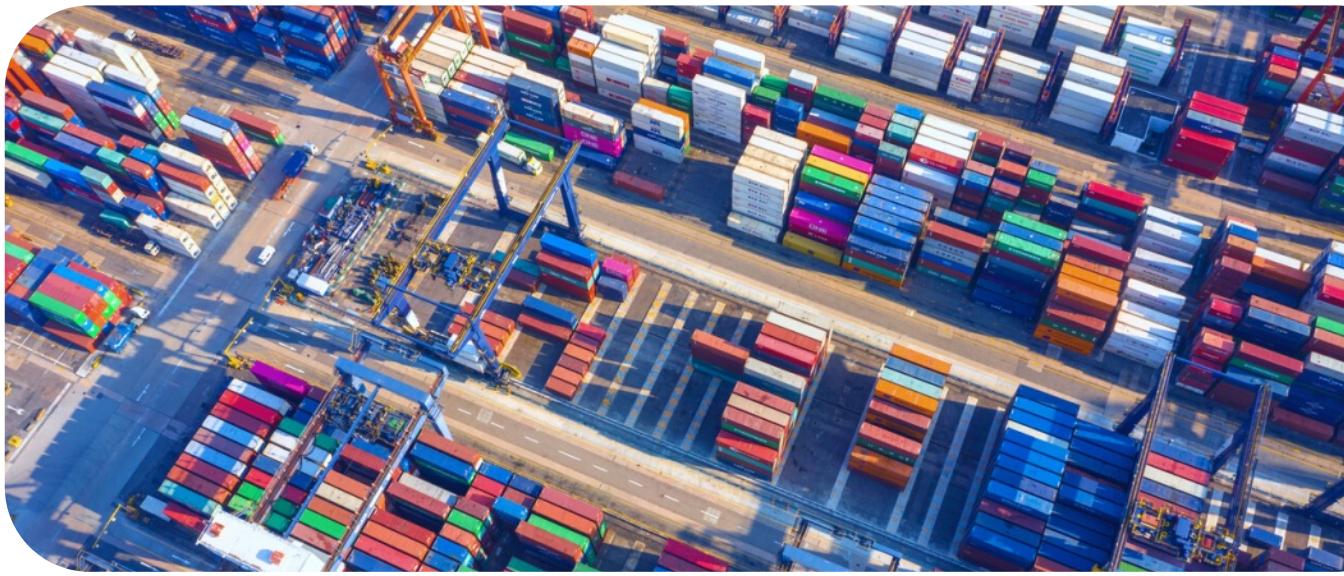
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# Introduction

Supply chain is now a business topic and a dinner-table conversation. Historically, it was a function that was only recognised when things went wrong. For example, if a customer or buyer called asking why their goods hadn't arrived on time, the supply chain could be followed up to understand why delivery didn't happen on time. During the pandemic, however, many things went wrong throughout the supply chain, causing massive disruption. Continued lockdowns and restrictions in Australia, for example, caused product category demand shifts and unexpected spikes.

Globally, factory shutdowns, rapid demand increases for specific components and finished goods (driven by shifts in consumer buying behaviours), and other factors caused complex supply chains to crumble.

Semiconductor sales, for example, were 26% higher as of May 2021 compared to the previous year, according to the Semiconductor Industry Association. As foundries struggled to keep up with demand, a massive range of products from mobile phones to cars experienced the flow-on effects of continued delays.



Even though supply chain challenges continue into 2022, digital transformation holds immense potential for companies to operate more efficiently, uncover cost savings, and boost profitability. Businesses are now finding new ways to reduce stock turnaround times, better forecast demand, and optimise warehouses to counterbalance some of the effects of ongoing supply chain issues and rising costs.





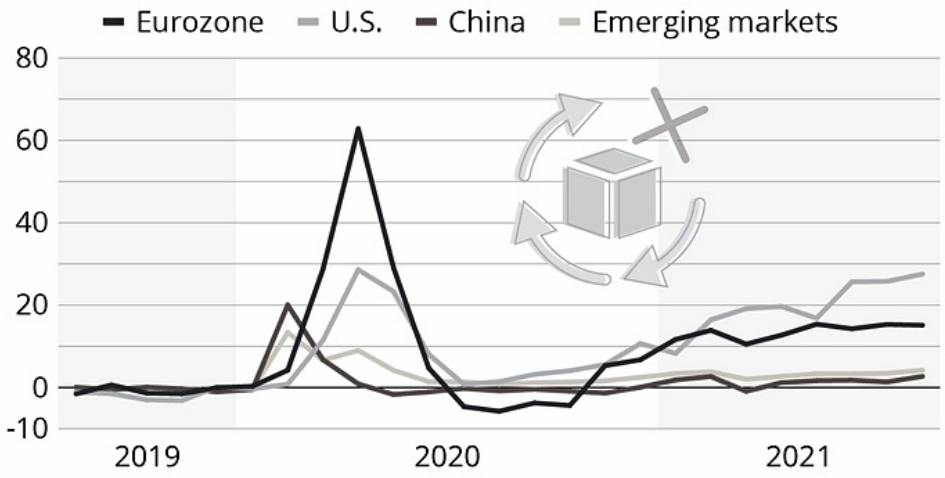
# 01 Battling supply chain disruptions

## A familiar story from last year to this year

Supply chains were massively disrupted during the initial COVID-19 outbreak. We saw these disruptions continue throughout 2021. In 2022, staff absences due to coronavirus variants and travel restrictions are adding even more pressure to already-strained supply operations. Some suppliers have now restricted production and struggle to meet their full delivery obligations. When you consider that a single missing part can significantly impact manufacturing and production processes, the dire situation for complex global supply chains becomes apparent.

Data from Statista shows the steady resurgence of these global supply chain disruptions leading into 2022. Together with raw material price increases, consumer prices are, in turn, becoming more heavily affected.

### Index of global supply chain disruptions (100=most disrupted)




Based on the difference between the supply delivery times subindex and the supply delivery times based on manufacturing output subindex (both part of the PMI). Source: IMF

## The current state of play

The Australian Bureau of Statistics reports that as of January 2022, 47% of all businesses are experiencing supply chain disruptions, a 17% increase compared to April 2021 (30%). It's also interesting to note that the industries with the greatest proportion of businesses experiencing supply chain disruptions are Wholesale trade (75%), Retail trade (71%) and Manufacturing (65%). With no short-term resolution in sight, businesses are responding to the situation in various ways.

Wholesale trade



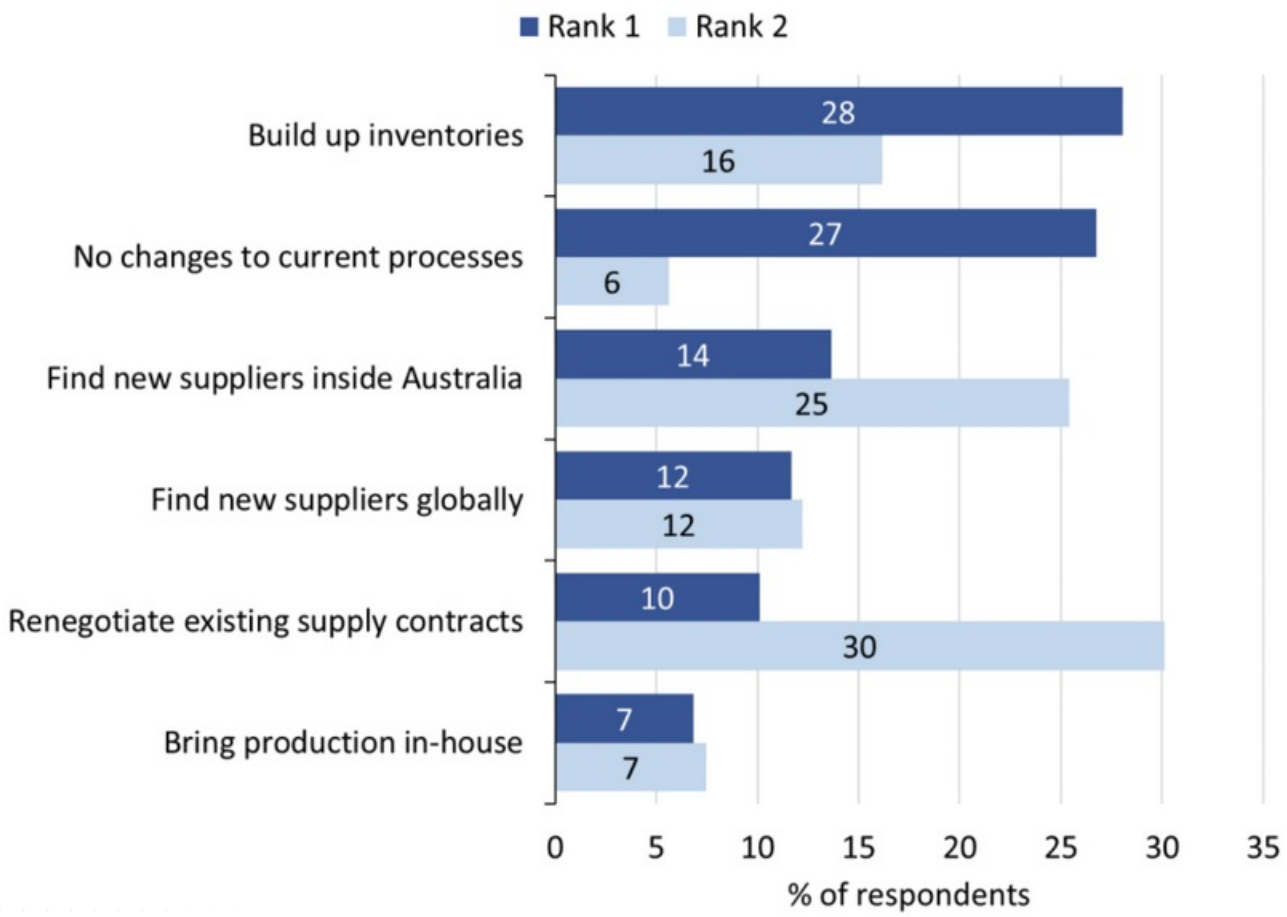

Retail trade




Manufacturing



AI Group's Supply Chains State of Play report shows that Aussie companies are primarily beefing up inventories to ensure stock is available when needed (28% of respondents' first rank of priorities). While this is a short-term solution, it also means increased carrying costs. In addition, the expenses associated with storing inventory, such as rent, insurance, security, and other storage-related maintenance, will add yet more pressure to supply chain profitability.




There is also a large number of suppliers (27%) making no changes at all to current processes due in part to the longevity of existing contracts, sourcing alternative suppliers, or not reaching a critical inconvenience. Not surprisingly, the highest of respondents' second ranking (30%) is to renegotiate existing supply contracts.

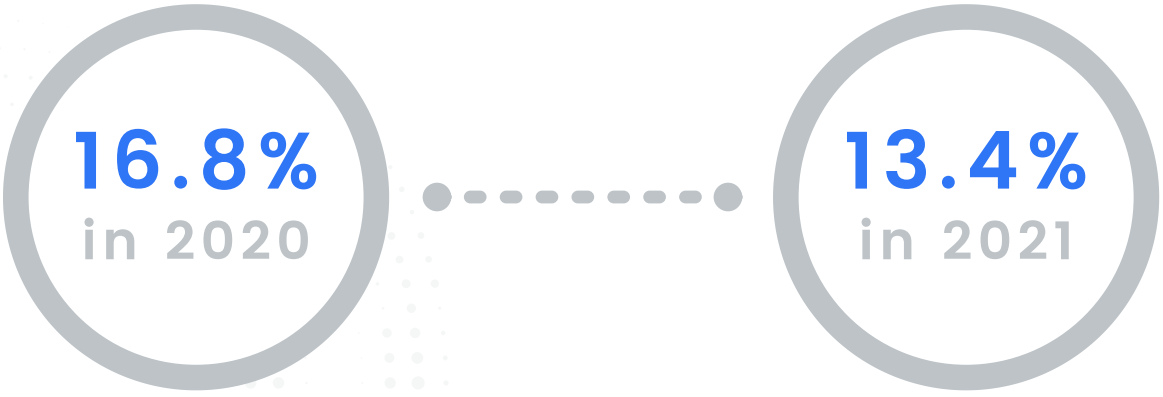
## Delivery issues adding pressure

Australia saw the tremendous impact of delivery issues in 2021. COVID variants caused staff absences and forced lockdowns as changing consumer behaviours pushed online ordering demand to its peak. The extended Cyber Monday and Black Friday sale period saw Australia Post deliver a reported 21 million parcels across the country. That's a 13% increase from the previous November record and 76% higher than the 2019 figure. We also saw a 27% increase in parcel deliveries reported in FY20-21 compared to the previous FY period.

Delays were inevitable given the overwhelming demand and unexpected conditions. As a result, nationwide networks took a severe detour to their regular delivery lead times. Australia Post even paused parcel pick-ups in Melbourne for five days to manage the record volumes.

The frenzy of pre-Christmas sale ordering was endured, but it reveals trends that are very much here to stay. eCommerce spending accelerated by 16.8% to AU$53.5 billion in 2020 and an estimated 13.4% in 2021, bringing it to AU$60.6 billion in 2021. As a result, Australia Post is now investing $440 million into new parcel facilities across the country to cope with the growing demand for online purchase deliveries.

### Australian eCommerce spend increase



# 02 Bringing digital transformation into the fight

47% Of CEOs are now relying on information technology more than any other strategy to compete in the economy ahead, according to the 2022 EY CEO Survey.

Leading CEOs in 2022 are resetting their risk radar and reframing their investment strategy for growth in a new, digitally-led environment. IDC FutureScape puts global investment in digital transformation at an expected $6.3 trillion for the 2022-2024 period. That will account for 55% of all ICT investment – more than any other technology initiative.

There's now a strong focus on digital transformation to support strategic growth initiatives. The pandemic either initiated or accelerated business operational and process changes. As such, the technology infrastructure to bring efficiency to those changes and enable companies to survive and thrive in the "new normal" is a top priority.




$6.3 trillion investment in digital transformation expected for the 2022-2024 period, accounting for 55% of all ICT investment.

## What is digital transformation?

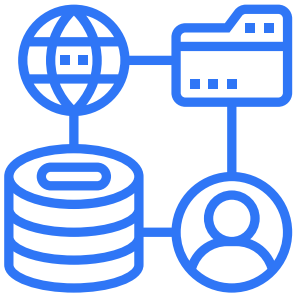
Although digital transformation has gained the spotlight in 2022, it's a buzzword that's not always fully understood. So here's a straightforward way to think of it:

1. You begin with digitisation - transitioning analogue and paper-based data into purely digital formats, stored within digital systems.

2. You then move on to digitalisation - converting manual and time-consuming processes into streamlined and automated digital processes that remove manual intervention to operate faster and more efficiently.

3. With a more efficient business framework in place, your company becomes proactive instead of reactive, driving strategic initiatives that improve customer value and increase capability and bandwidth to reach new and broader markets.

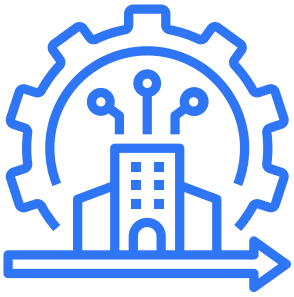
# What is digital transformation?



Transition from analogue and paper-based data into purely digital formats.



Convert manual and time-consuming processes into streamlined and automated digital processes.



Unlock strategic initiatives that improve customer value and increase capability and bandwidth.

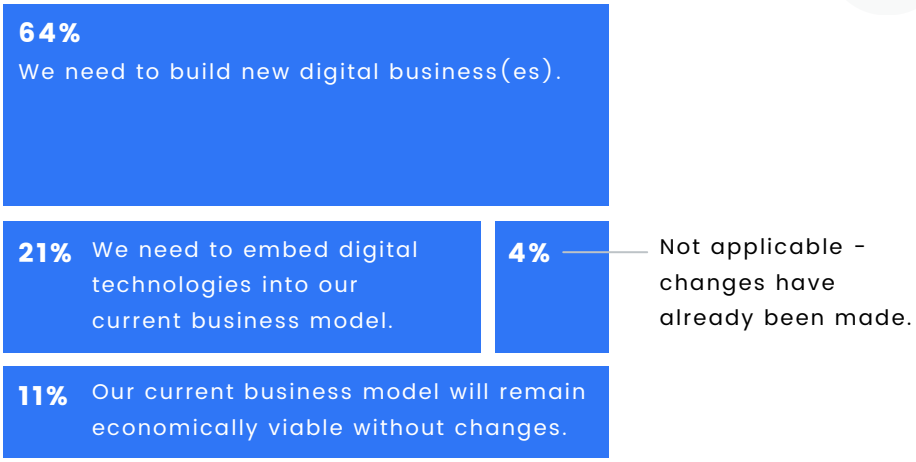
Digital transformation creates and enhances the business culture, processes, and customer experiences that help you meet market requirements and exceed expectations.

Whether the end result of your digital transformation is higher-quality data, more efficient processes, or the ability to focus on strategic initiatives, it will all translate into delivering greater value to customers in the end.

## Why digital transformation matters right now

The pace of business and the expectations of customers have fundamentally changed in recent years, with COVID-19 accelerating existing trends. According to a recent McKinsey & Company global survey on digital strategy, many respondents recognised their companies' business models are quickly becoming obsolete. 64% say their companies need to build new digital businesses to help them remain economically viable through to 2023, with only 11% believing their current business models will get them there.

Changes needed to make company's business model economically viable by 2023 (% of respondents)




In the same survey results, 65% of respondents confirmed they had increased spending on digital and technology initiatives during the pandemic, even as they cut resources from other parts of the business.

Past economic crises have shown that business recovery relies heavily on the strategies followed before, during and after the crisis. By boosting strategic investments, such as digital transformation, forward-thinking companies can position themselves for long-term growth once disruption settles down.

## Australia's investment in digital transformation

Australian businesses were largely in cash preservation mode during 2021. But many took this opportunity to plan and prepare for technology investment in 2022 and beyond. According to research from CPA Australia, the top 3 technology-related projects Australian businesses undertook last year were:

**43.3%** Upskilling the technology capabilities of staff.

**40.7%** Reviewing the business' technology for future improvement.

**40.3%** Developing a long-term technology / digital strategy.

(from multiple choice selections)

So, what has held businesses back from making these investments until now? The top challenges for Aussie businesses in making the tech investment they wanted in 2021 were:

**41.4%**
**Financial constraints**

**33%**
**Tech talent shortage**

**31.2%**
**Complex legacy systems**

**30.5%**
**Cybersecurity concerns**

**27.9%**
**Data privacy**

(from multiple choice selections)

It's clear that companies recognise the need for investment in technology to drive the digital transformation agenda in 2022. That's not surprising when there is ample opportunity to uncover cost savings, operate more efficiently, and realise new levels of profitability. This investment is also critical to counterbalancing ongoing supply chain issues and rising costs.

# 03 Transforming and optimising supply chains

Supply chain costs have long been a focus, but now it's even more crucial. New supply chain models driven by digital transformation are challenging traditional approaches, optimising operations, and fuelling growth opportunities.

Technology is helping gather, analyse, and make sense of data to adapt and adjust strategies quickly. The ability to anticipate and respond to market changes is providing real value for inventory-carrying companies. With the appropriate systems, stock can now be optimised based on trends and changes as they happen, and scenario planning developed to help businesses test and measure various future states.

According to the Australia Post Supply Chain Leaders' Sentiment report, 67% of respondents recognise predictive analysis as a key technology positively impacting supply chains, with warehouse automation recognised by 57%.



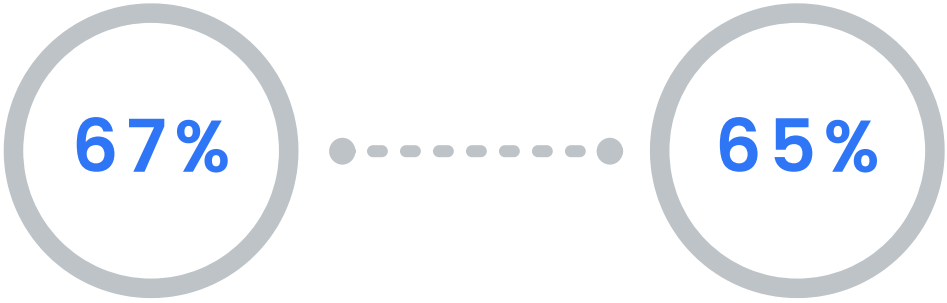

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# Supply chain automation

In the Australia Post Supply Chain Leaders' Sentiment, 65% say supply chain costs, as a percentage of revenue, have increased due to higher transport, labour and other input costs. 67% of respondents also cited that Average Order lead time has increased due to global supply shortages and logistics delays.

Supply chain automation is a fundamental aspect of digital transformation that drives significant reductions in operating costs. Repetitive, time-consuming tasks can be handled by technology. Effective automation you should be leveraging in 2022 includes:

- Setting min and max stock levels to trigger alerts, notifications, and purchase requests.
- Filling purchase orders and sending to pre-approved vendors when levels slip below thresholds.
- Set-and-forget reporting that delivers updates to your inbox at set intervals
- Real-time dashboard views of inventory, demand, and forecast analysis.
- RF scanning technology to increase receipt and item pick times.




**Say average order lead time has increased due to global supply shortages and logistics delays.**

**Say supply chain costs as a % of revenue have increased due to higher transport, labour and other input costs.**

# Demand planning and forecasting

Supply chain management can be incredibly complex and time-consuming. Particularly when re-adjusting to rising costs and supply shortages, a reactive approach means increased manual workload. However, automation of planning, production, inventory management, and order fulfilment takes care of the repetitive manual tasks to free up valuable human resources to work on strategic initiatives.

The right balance between long-term forecasting, medium-term planning, and short-term execution also keeps customer expectations aligned with supply capability, avoiding costly reactive adjustments. By analysing historical sales by item, identifying outliers and exclusions, and factoring in seasonal fluctuations, you can reasonably understand future demand requirements.

However, as we've seen throughout the pandemic, unexpected demand spikes due to lockdowns, restrictions, and easing of restrictions can throw a curveball to any demand forecast. The ability to adapt and update forecasts in real-time allows companies to run with leaner inventory and react faster.



NetSuite Planning and Budgeting is one solution that integrates seamlessly with any ERP system to help minimise the impact of unexpected changes. Businesses can create forecasts by channel, specific customers and many other dimensions. Combined multiple forecasts from different departments, which generate a master forecast, also support greater collaboration across your company. The platform's scenario planning tools also use machine learning to create best-case and worst-case demand forecasts with demand volatility, seasonality and trends considered.

Regardless of the specific solution you choose, leveraging technology to gain real-time visibility of trends and changes can help you forecast more accurately and adapt rapidly when needed.



## Warehouse and inventory optimisation

The time it takes staff to locate and pick products manually adds up to a significant expense over time. Modern inventory software tells picking staff the exact stock location, identifies the optimal route to pick multiple products, and works out the optimal stock locations to speed up picking processes. This technology can save time and increase stock turn, resulting in a faster order-to-ship turnaround.

Excess stock means tying up capital and can often result in discounts or write-offs of unsold stock - all while taking up valuable warehouse space. On the other hand, insufficient stock leaves you unable to fulfil orders and missing sales opportunities. Inventory management software, especially when part of a broader cloud ERP system, optimises supply without needing additional human resources to do the number crunching. The system provides real-time stock visibility across all locations, so you can proactively monitor inventory, easily transfer between locations to increase availability by location, and ultimately reduce obsolete inventory. Additionally, you can predefine fulfilment rules to eliminate multiple shipments for a single order and avoid excess shipping charges.



# 04 Meeting evolving buyer expectations



## B2C-like ordering experiences

Wholesalers distributors have realised they need to stand out from the crowd in 2022. Amid the increasing number of manufacturers exploring D2C channels and rising costs through supply chains, wholesalers must meet evolving B2B customer expectations to demonstrate their competitive advantage.

Sales reps were once the gatekeepers of information. Reps visited customer sites to distribute pricing, new product, and even service information. But times have changed. Access to data is now faster and easier. B2C-like ordering experiences are also now an expectation of B2B buyers. As such, online portals hold colossal potential for wholesalers to improve the online buying experience.

Live product, pricing, and stock information is now the minimum expectation. The digital B2B buyer journey should now include:

- Custom catalogues to help customers find relevant products faster, without the need to speak to a salesperson.
- Customer-specific display of item discounts and quantity break pricing.
- Complete order history with easy re-ordering functionality.
- Shipping cost and time estimates.
- Product recommendations based on previous order behaviour.

## Anticipate needs and strengthen communication

Communication is crucial to building and retaining long-term relationships. Reps can ensure relationships are nurtured by scheduling reminders for general check-ins. These check-ins also provide an opportunity to add personalised value.

By checking past purchases, interactions, and account history, reps can anticipate the future needs of buyers and have more informed, valuable conversations. For example, can salespeople offer customised quantity break prices for regularly bought product lines? Are there issues or follow-ups from customer service teams pending that need further discussion? Are there promotions available for specific verticals or territories that may interest buyers?

The integration of CRM with sales and inventory systems (or the use of an end-to-end ERP solution) can help your business anticipate your customers' needs, initiate more valuable conversations, and deliver more memorable buyer experiences.

# 05 A technology partner's role in successful digital transformation

As supply chain disruptions continue into 2022, digital transformation holds immense potential to help companies uncover cost savings, operate more efficiently, and realise new levels of profitability. Technology investment is already helping leading companies counterbalance ongoing supply chain issues and rising costs.

Successful digital transformation relies on having:

**The best-fit technology solution for your business needs**



**Tried and tested process frameworks**



**Experts at delivering outcomes that support business goals**





At DWR, we believe the right technology partner takes the time to understand your business needs and goals. And only then recommends the right technology solution.

The team of experienced cloud technology specialists at DWR will work with you to identify the best-fit solutions for your unique needs. We then bring proven processes into your existing business framework and optimise based on your requirements. The result is a digital transformation focused on outcomes and aligned with your business goals.

Transform your business success. Talk to a cloud technology expert and trusted NetSuite partner now.

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