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Business Insights Industry Focus: Disruptive Supply Creates Supply Chain Opportunities

The current global issues with air cargo\shipping containers and prices that exceed the profitability of many consumer goods, creates the next great opportunities to rethink the way we get our goods delivered either by S&OP, Agile or JIT (Just In Time).



ANZ Situation

New Zealand as an island nation close to a larger neighbour Australia has a diverse set of challenges when it comes to managing supply. NZ struggles with an import – export imbalance in which imports are not so viable for shipping companies, but the NZ exports make the journey more attractive.

These supply challenges are more notable in the building supplies industry where Australia already suffers from a shortage of supplies and New Zealand typically requires smaller quantities. This presents an opportunity for a consortium of mass buying to allow for a more cost effective solution in select industries.



The current impact of driver shortages, low investment in the rail system, and ports on two islands have caused lead times to increase and inventory levels to be dramatically reduced or on back order for months, all of which have been amounting to a huge loss in sales.

Short Term Gains

With all the uncertainty in supply chain, isn't it time to stress test your current supply chain and plan a more future proof model that can sustain this ongoing shortage and find the most cost effective model for products, brands, commodities or best sellers?

Examples include:

S&OP – Advanced planning with forecasting to ensure you have factored in longest lead times

JIT – Fast Moving\ A products – Can these go airfreight in smaller quantities to meet immediate demand

Agile – Flexibility to move product through fastest or most cost effective route.

Omni-Channel – Sourcing products closest to the customer if not in a DC or located in a store or smaller retailer.



We believe actively looking for the quick wins and gains will ensure you can be proactive and manage your supply daily to ensure you have the best model to suit your product, service or commodity.

Moving from Just in Time to Just in Case logistics – the fail safe way to combat our new “Normal”

The dramatic rise in container rates in some cases 1000% increase from last year’s rates has caused a rethink of supply chain fundamentals. In pursuit of greater efficiency, many businesses de-emphasized supply chain flexibility and resilience. Today’s situation calls for rebalancing priorities.

To combat the market forces and be ahead of the game, balance the low cost and efficiency of the JIT model with the need to be agile in reacting to the current market challenges.

Just in Case logistics fundamentals have been the essence of logistics for military, disaster relief and aid for most governments across the globe. This is now a key driving factor for main stream logistics.

The key building blocks of a “Just in Case” supply chain are as follows:

Keep it Simple

Simplifying the supply chain will make your business more agile and able to adapt to the new pandemic dynamics. In response to reduced demand or peak demand focusing on prioritising the products that matter is critical.

The move to outsource all activities that are not core to your business. This will lead to management time and efforts focus on activity that supports business success.

All suppliers need to be revalidated for credit. Simplifying the number of suppliers will also free up administration and management time and effort.

Core Just in Case Products

Products that are pandemic demand friendly need to be stock piled. This technique has been used in military for many years. Products that are pandemic friendly include those in your offering that can lead to demand surges and panic buying. Check your sourcing decisions and make sure suppliers that operate in many geographical areas can be turned on and off depending on the availability of transport access. Push the demand priorities back to the supplier.

Near Sourcing

Look for suppliers that are able to be turned on and off closer to your market and closer to your customer’s demand. This is key in combating the high container freight rates. Stock piling of inventory of these key products by removing layers that exist between manufacturing and your end customer.

Plan B and Redundancy

Risk will be reduced by making sure your Plan B is in place to protect your business from price fluctuation. This needs to be factored for all core supply lines.

Warehouse Design and Capacity Management

There has been a trend of late to take on more warehouse footprint than required. The demand for warehousing had exponentially increased due to the limited supply and urgent need to manage more and more just in case inventory holding closer to market. Having the foresight to predict the pandemic logistics forces is not common to all but the fundamentals of limited container availability and high price of freight rates means Just in Case logistics is the only way forward to maintain business continuity. This is our new normal.

Long Term Supply Chain Strategy

The short term gains can help your business for the next 2 – 5 year strategy in your Supply Chain, as you are aware any longer will make it less flexible to change in these turbulent times. Having a robust flexible Supply Chain strategy that incorporates solutions to deal with disruptions and having a team who know what the ultimate strategy is to quickly be able to avert any disruptions or stresses for internal and external customers.

The value in getting this on track from the start is the difference between success or disruption which we all know creates turmoil in all areas of sales, marketing, staff retention & staying in the black.

ABOUT THE AUTHORS



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Mr. Barrett is a career supply chain and logistics professional commencing in the South African Defence Force proudly serving in land and maritime technical postings followed by senior private sector roles encompassing technology, logistics, sales and operations with tier 1 MNCs. He has held senior country level executive positions with Tier 1 global logistics organisations, possesses an extensive operational background with experience across all facets of supply chain and logistics operations having also held senior positions with global brands operating in 4PL/3PL. As an accomplished consulting and corporate advisory specialist he has hands-on skills from operational warehouse floor planning through to financial analysis and logistics and supply chain contract, Tender and RF design, deployment and execution.

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Dominic has been instrumental in setting the strategic direction and executing the commercial, operating and growth initiatives for key fortune 500 companies. He has over 20 years business experience in both management consulting and industry, specialising in value chain management. His experience encompasses a diverse execution capability, ranging from strategic development, acquisition/organic growth, change management, operational improvement, to technology enablement across all elements of business.

As a regular and skilled speaker, Dominic shares valuable insights to organisations on innovative business practices, supply chain strategies and ways to cope with the ever-changing business challenges and demands.

Dominic graduated from the University of Western Sydney in Computer Science. He also has an MBA from Deakin University.

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