

# Supply Chain Leaders' Sentiment Report

# 2021



Australia Post

**Deloitte.**



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# Introduction

## Welcome to the first-of-its-kind Australian Supply Chain Leaders' Sentiment Report.

Global supply chains experienced disruption in 2020 with the COVID-19 pandemic. The flow-on impacts resulted in delays to supply and increases in demand that manifested in ways that couldn't have been predicted. Those impacts have continued well into 2021 with many supply chains yet to fully recover. To mitigate these risks in supply and demand, and build resilience and agility in their supply chains, organisations have responded proactively and strategically.

To build an understanding of how the COVID -19 pandemic has impacted Australian businesses, Australia Post and Deloitte have surveyed Supply Chain Leaders across the country; to find out how they're dealing with the current environment and how they intend to continue to evolve over the coming year. The survey explores the strategies they're prioritising to build more sustainable and resilient supply chains, adapt to changing customer demands and to seize new opportunities for growth.

As the pandemic continues to have a profound impact on markets, industries and supply chains, the Supply Chain Leaders Survey provides unique insights into the strategies many Australian business are pursuing, including:

- Increased investments in technology, digital and eCommerce - to enable business growth and to find new ways to service their customers.
- Greater focus on sustainability - to address customer concerns around sustainable packaging and delivery, and the associated environmental impacts.
- A shift from outsourcing to hybrid supply chain models - to reduce cost and to gain more control of the supply chain to better adapt to changes and new fulfilment models.

This report is intended to be useful and actionable and will help you understand how your business compares with others; in terms of your:



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**Gary Starr**

Executive General Manager  
Business, Government &  
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National Lead Partner  
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**Deloitte Australia**

# About this report

This report is a comprehensive pulse-check of Supply Chain Leaders across Australian industries. It provides insights into the key challenges and opportunities shaping global and Australian supply chains. These insights represent the point of view of 87 Supply Chain Leaders across several industries captured via a survey.

## Hypothesis-driven and quantitative

A hypothesis-driven approach was adopted on a range of qualitative and quantitative measures - to see how different businesses are performing and responding across 16 areas. The questions focused on a combination of 'core' and 'current' topics that are relevant to supply chain driven businesses in Australia today. The survey responses enabled us to quantify and measure present conditions as well as future (next 12 months) priorities, to provide you with insights that will help you make comparisons with other businesses and inform practical actions within your own.

We received **87** responses to the survey, with respondents spanning 15 ANZSIC industry sectors - representing a robust cross-section of Australian businesses.

## Industries represented:



## End to end value chain

The Supply Chain Leaders Survey covered 6 key topics representing the range of agenda items driving many Supply Chain Leaders today.

### The topics covered included:

- Business strategy
- Sustainability
- Digitisation and technology
- eCommerce and customer trends
- Outsourcing and cost of doing business
- Supply chain planning and performance



## Executive summary

With the global disruption caused by the COVID-19 pandemic likely to be felt for some time, there's no question that businesses globally continue to navigate a volatile and uncertain world. Not only are businesses grappling with the logistical challenges the pandemic presents for their supply chains, they are also turning their focus to important issues such as sustainability and climate change, which present significant challenges. But amid this disruption lies significant opportunity, and many Supply Chain Leaders are embracing these challenges and responding in such a way that not only improves their overall resilience but creates new sources of value for their customers.

The Supply Chain Leaders Survey explored the challenges faced by Supply Chain Leaders today, and the strategic priorities they are pursuing in response. Beyond these high-level strategic drivers, a number of specific focus areas emerged:

- Sustainability and supply chain impacts
- Digitisation and the application of advanced technologies in supply chains
- The acceleration of eCommerce, emerging customer trends and changing expectations
- Approaches to outsourcing and the costs of doing business
- Approaches to supply chain planning and performance trends when measured against key supply chain health indicators.

### Strategic supply chain priorities and responses

The top four business challenges impacting supply chain operations and strategies included cost reduction, investing in digital and large-scale IT infrastructure and sustainable growth through organic expansion, the introduction of new products and services and expansion into new markets.

In addition to these business objectives, leaders are also focused on initiatives that will improve visibility, optimise inventory management and build resilience more generally across their supply chain. While cost was still an important factor, outsourcing and supplier rationalisation - which were commonly pursued in the past to deliver value - were not central to supply chain strategies at this time.

### Sustainability and the impact of supply chains

Supply chains can have a direct and tangible impact on the environment, and with sustainability top of mind for consumers and businesses, Supply Chain Leaders are rising to the challenge through a range of proactive sustainability policies and initiatives. These include ethical sourcing, sustainable supplier selection and material selection and the use of recyclables. Significant efforts are also being made to reduce the environmental impacts of doing business through emissions reduction strategies, the use of renewable energy, electric vehicles and alternative fuels.

### Digitisation and the use of technology

The COVID-19 pandemic has seen digital adoption rates soar and new and innovative ways of connecting emerge, and this is true also for the supply chain industry.

Supply chain is at the forefront of the digitisation of industries and the economy, with 57 percent of leaders reporting supply chain is playing a central role in determining and delivering their overall digital strategy. Advanced technologies such as predictive analytics, artificial intelligence, robotic automation and optimisation in warehousing and transport operations will increasingly become commonplace in modern supply chains. Data quality and accuracy however present a significant and ongoing challenge for many businesses as they transform their operations.

### eCommerce: Investment, growth and expectations.

eCommerce experienced a phenomenal rise in 2020, with almost nine million Australian households making an online purchase<sup>1</sup>. Changing customer expectations continue to drive investment in more user-friendly digital shop fronts, delivery times and choices, end-to-end visibility and free returns. In response to the eCommerce boom, more than 70 per cent of Supply Chain Leaders reported they had invested in their eCommerce capabilities during the last two years. Surprisingly, nearly one in five said they had not made any changes in their approach, with many reporting the nature of their business' products or services was a barrier to generating more sales through digital channels.

### Trends in outsourcing and the costs of doing business

As leaders prioritise strategies to improve resilience, exert greater control over fulfilment and their last mile capabilities, many indicated that outsourcing across the major supply chain functions will decline in favour of hybrid models. Despite these emerging trends, rising costs continue to be an important area of focus for Supply Chain Leaders in 2021. Potential disruptions to transport, labour, access to raw materials and other production inputs are areas of concern given their ability to negatively impact costs along the supply chain.

1. Australia Post Inside Australian Online Shopping Report 2021.

### Planning approaches and supply chain performance

In response to the challenges facing the industry today, many businesses are adopting shorter planning cycles and automated planning systems.

Respondents said 2021 supply chain performance had improved in customer delivery in terms of full on time (DIFOT%), and supplier delivery in full on time (DIFOT%), inventory turn velocity and sales forecast accuracy. Whilst performance had declined in supply chain cost as a percentage of revenue and order lead time to delivery.

### Conclusion

This report highlights that the traditional strategies businesses have pursued to improve supply chain performance are being seriously questioned in a post-COVID world. In fact, Supply chain has become the battleground for strategic competitive advantage in many industry sectors.

New supply chain models driven by digitisation and analytics are already challenging old approaches and are key to future growth opportunities. While supply chain costs will always be a focus for business, supply chain agility will be more important in the face of changing market realities. Business investment in technology, sustainability solutions, eCommerce capability and hybrid sourcing strategies are examples of how respondents are demonstrating supply chain agility.

### Digitisation and the use of technology is impacting supply chains



### New technologies being considered by business



**67%**  
Predictive analytics



**57%**  
Warehouse automation

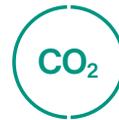


**40%**  
Artificial intelligence

### Sustainability is driving what we do in supply chain



### Sustainability strategies being considered by business



**48%**  
Carbon emission offsets



**41%**  
Renewable energy generation



**45%**  
Circular supply chains



**36%**  
Battery electric vehicles

### The hypergrowth of eCommerce is impacting how supply chains operate and consumer expectations



**70%**

said they invested in eCommerce solutions during the last two years



# Costs, growth and digital channels are strategic priorities...

The Covid-19 pandemic continues to have a profound impact on many markets and industries.

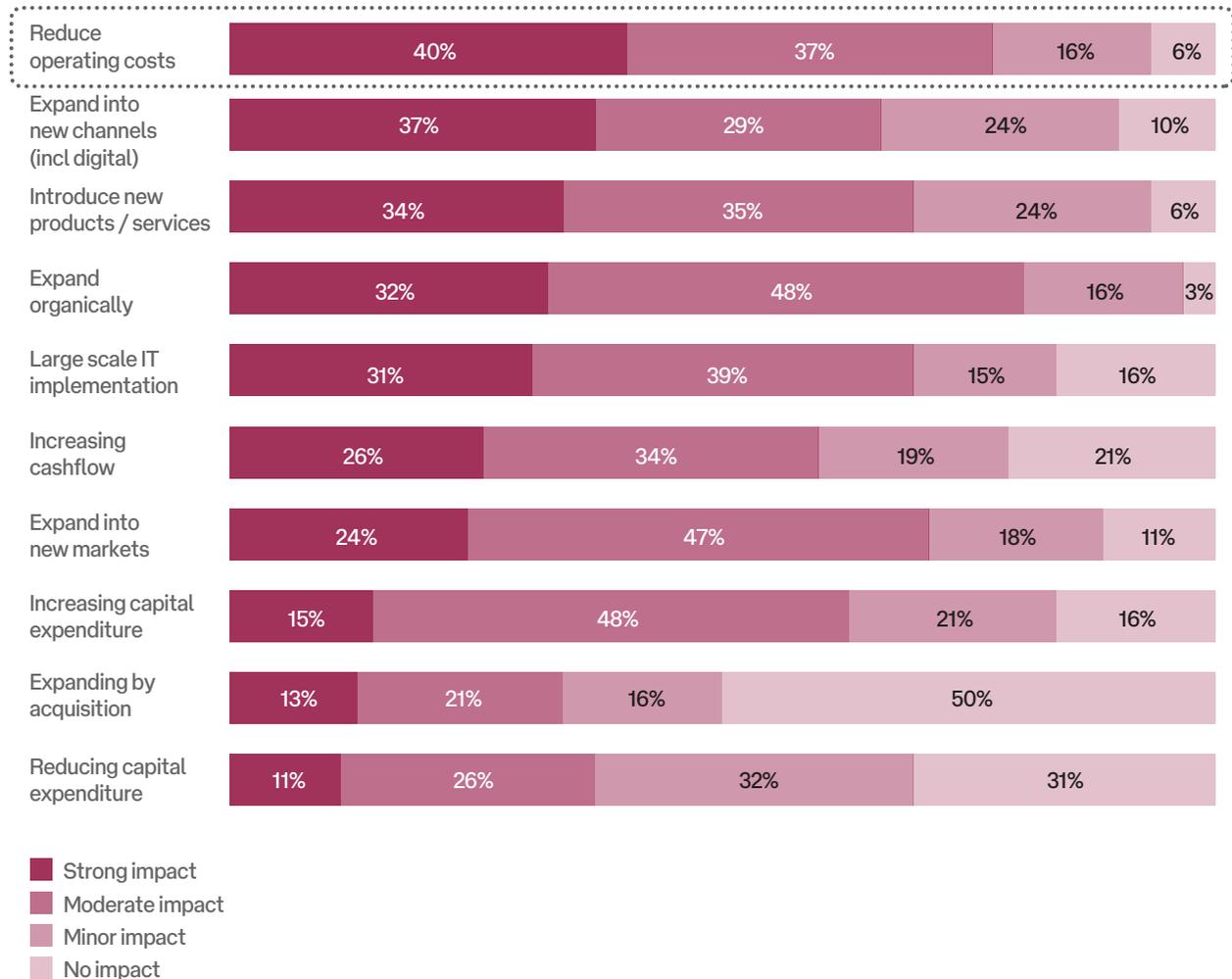
These impacts have presented Supply Chain Leaders with not only a series of strategic challenges, but also new growth opportunities for their business.

**40% of Supply Chain Leaders report that the business strategy of Reducing operating costs “strongly impacts” their supply chain strategies.**

Over one third of businesses also reported expansion into new digital channels and large-scale IT implementations as having strong impacts.

The pursuit of growth through organic expansion, new product / service introductions and expansion into new markets are also having strong to moderate impact on the supply chain strategies for at least two thirds of businesses.

## Business strategies impacting supply chain



## ... and businesses are investing in improvements.

### Businesses plan to invest in digital and technology over the next 12 months

In addition to Investment in digital and technology, Supply Chain Leaders identified Improving supply chain visibility, Inventory optimisation and Network redesign and optimisation as key value delivering strategies. Increasing supply chain resilience is a strong focus area for 34% of Supply Chain Leaders, with all ranking it higher than cost reduction.

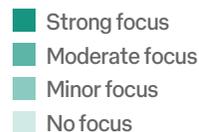
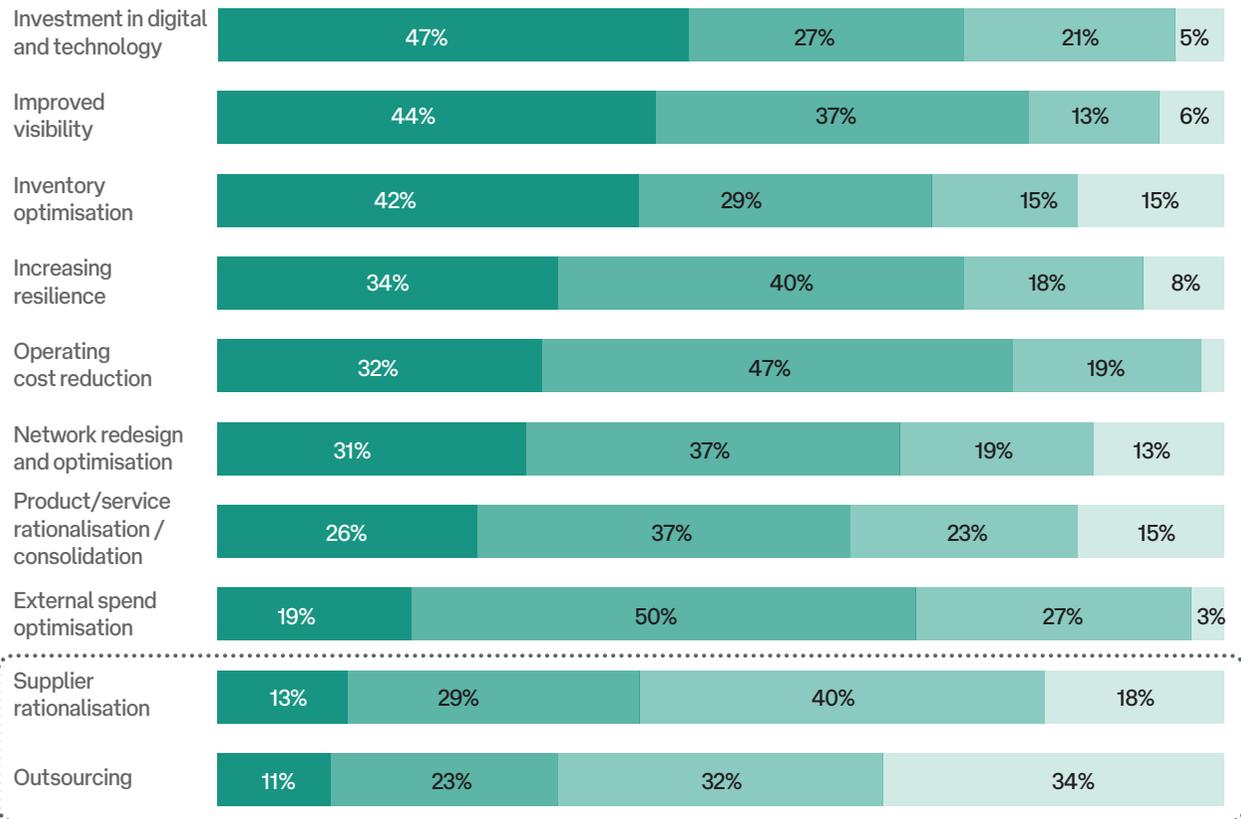
**By contrast, Outsourcing (11%) and Supplier rationalisation (13%) are the least value-delivering strategies.**

This is consistent with the initiatives many businesses are pursuing - to increase resilience through diversification and to re-think the outsourcing of key supply chain capabilities. Sourcing, logistics and distribution have become the new strategic battle ground for many businesses.

**The past 18 months have challenged all aspects of the supply chain. An unprecedented level of major and often simultaneous 'impact' events have resulted in the need to pivot between distribution channels at speed. This situation has heightened the need to invest in the digitisation of the supply channel to ensure Supply Chain Leaders are well supported in their decision making.**

**Darren Wedding**  
Chief Supply Chain Officer, Super Retail Group

### Priority supply chain strategies over the next 12 months



# Sustainability has become a 'given'...

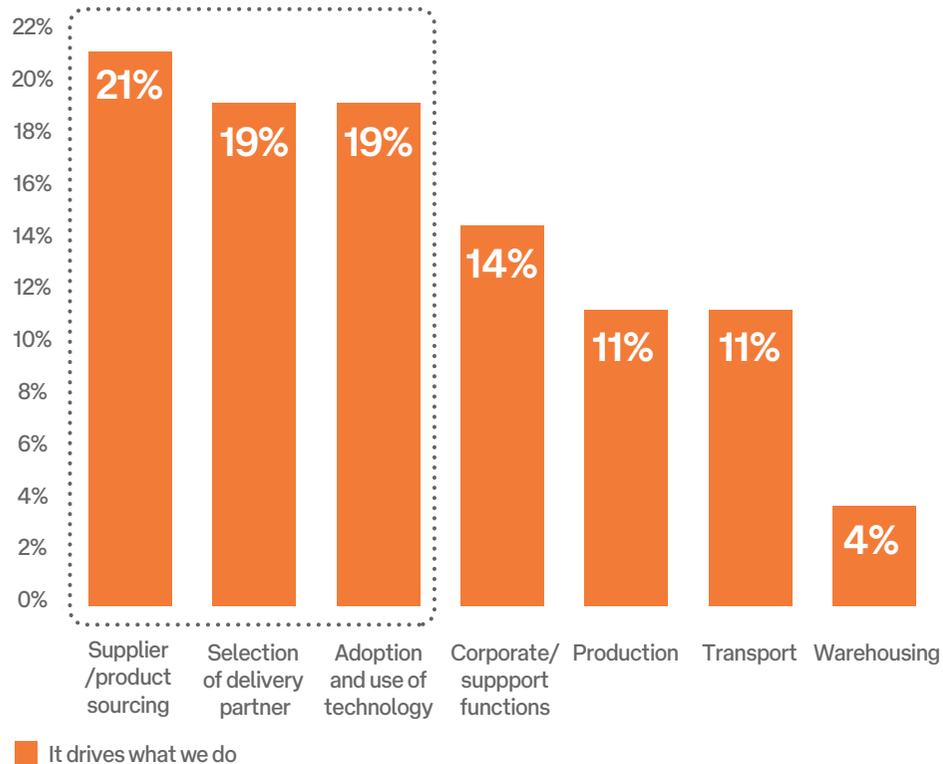
Supply chains have been singled out by many businesses as the key enabler to improving environmental sustainability and the social impact of their operations - including the products and services they source and supply.

The changes in community expectations around environmental, social and corporate governance - including climate change - present both risk and opportunity for Australian businesses. Government policies, consumer expectations and investor feedback are placing significant pressures on a range of industry sectors, but also potential new sources of value.

**Ethical sourcing and sustainable supplier selection are the main strategies businesses are using to improve the sustainability of their supply chains.**

The key corporate sustainability policy areas reported as “driving everything we do” are Supplier/product sourcing, Selection of delivery partner and the Adoption and use of technology. Policies relating to Transport and Warehousing were of relatively lower priority - with a convincing 63% saying Corporate/support functions had little or no impact on their supply chains.

## Sustainability policies driving what we do



**Supply chains are increasingly understood to mask a business's true sustainability footprint. But suppliers can also be your secret weapon in reducing social and environmental impacts.**

Susan Mizrahi  
Chief Sustainability Officer, Australia Post

## ... and supply chains are front and centre to help deliver.

As expected, Ethical sourcing was seen as the most mature strategic response, with 30% reporting full deployment. 43% of respondents also noted Sustainable supplier selection as being either fully deployed or scaling up across their supply chains.

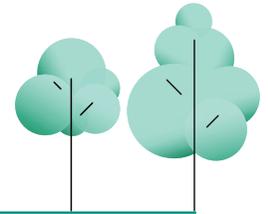
Similarly, the sustainability of the material inputs into products is getting focus. The selection of materials, or re-design initiatives - are either being scaled or are now fully deployed in 36% of businesses. Also, nearly half of all respondents are piloting the development of circular supply chains.

Significant efforts are also being made to reduce the carbon footprint of supply chains through either Energy use reduction or Renewable electricity generation. Many report initiatives at various stages of deployment ranging from pilots to full deployment.

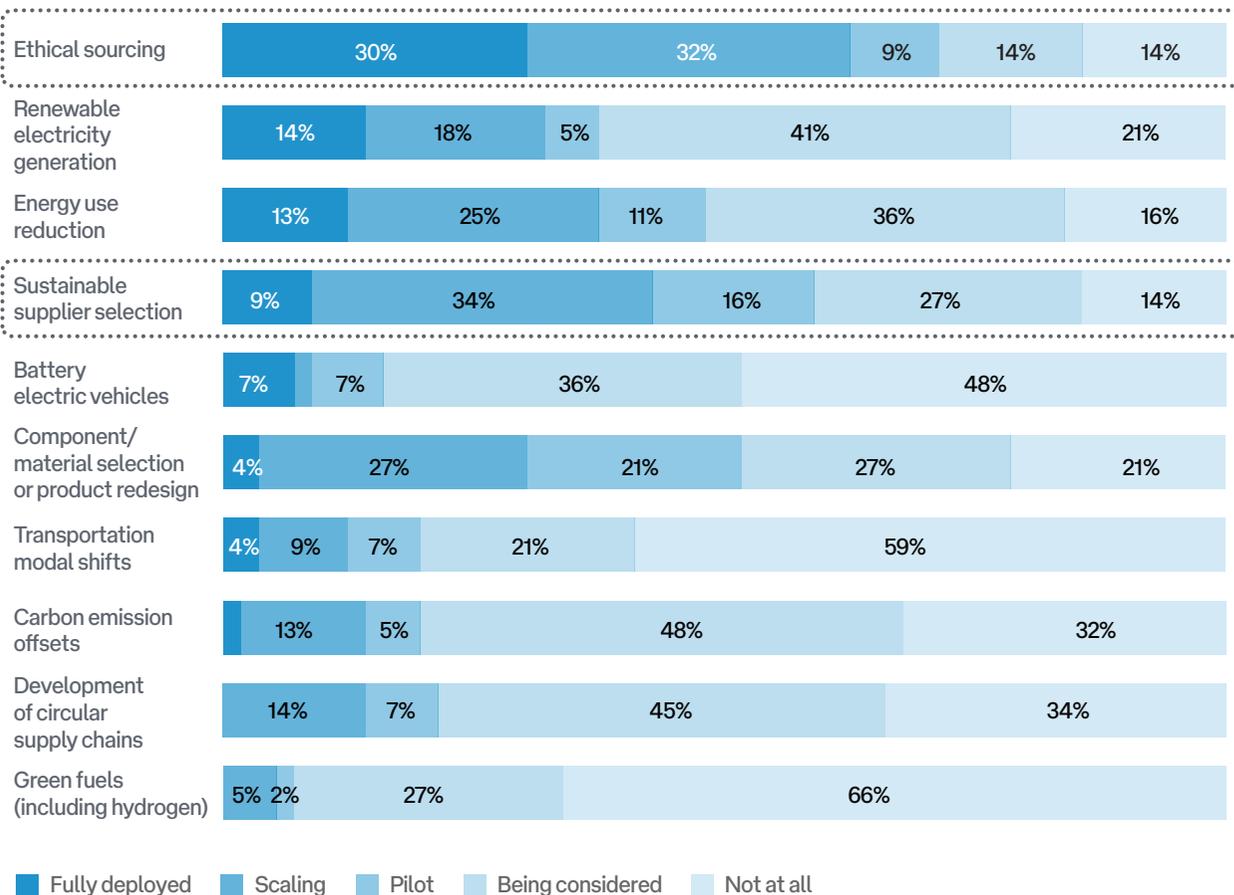
**According to Australia Post's eCommerce Industry Report, almost half of research respondents want recyclable packaging and nearly 30 per cent prefer carbon neutral delivery. Also 28 per cent are willing to wait longer for delivery to reduce environmental impact<sup>1</sup>.**

1. Australia Post Inside Australian Online Shopping Report 2021.

While less progressed than the energy efficiency initiatives, Carbon emission offsets are being trialled in 48% of businesses. Battery electric vehicles and the use of Green fuels are also either being considered or piloted in 43% and 29% of businesses respectively.



### Sustainability strategies being implemented



# Digitisation and the use of technology ...

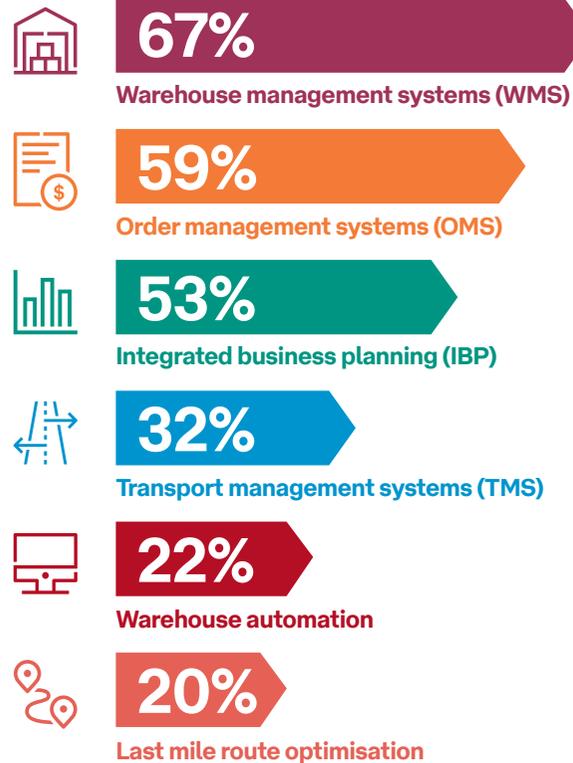
As Australian Supply Chain Leaders look to 2022 as a year of recovery following the turmoil of the last two years, technology and digital transformation are high on the agenda.

COVID-19 has been the catalyst for businesses to revisit their global supply chain strategy and accelerate the adoption of new technologies and digital solutions.

Fortunately, many new cloud-based supply chain platforms have emerged. These platforms can dramatically improve connectivity and visibility across the end-to-end supply chain and improve resilience and agility - without the traditional overhead associated with many of the traditional tools and risk-management approaches.

Respondents report: warehouse management systems (WMS), order management systems (OMS) and integrated business planning (IBP) tools are the technologies most deployed and/or in the process of being scaled across their business.

What technology is currently in use across supply chains?



New supply chain technologies to automate, connect and collaborate across supply chains.

Supply Chain Leaders report that several innovative, new technologies are currently being explored and in various stages of maturity; from active consideration through to pilots and fully scaled deployments.

Innovative technologies being considered



50% of respondents have either fully deployed, scaled or piloted new innovative technologies to connect and collaborate with customers and suppliers.

# ... is a key driver for new supply chain models.

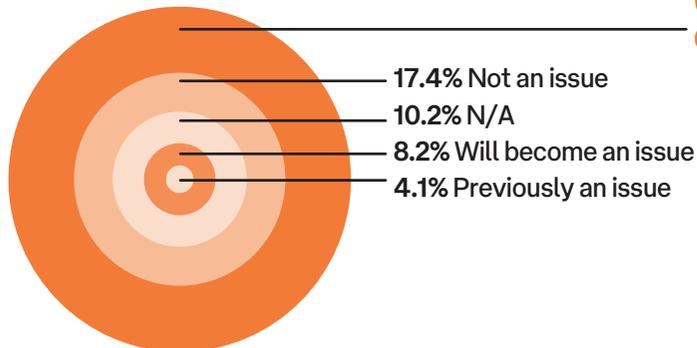
API, EDI and other common platforms are the most widely used technologies - with more than 50% of respondents either in pilot, scaled or fully deployed. Respondents also use low-tech webform-style portals to collaborate with customers and suppliers.

## Master data quality continues to be a concern for businesses

**60% of Supply Chain Leaders say master data quality is a significant issue.**

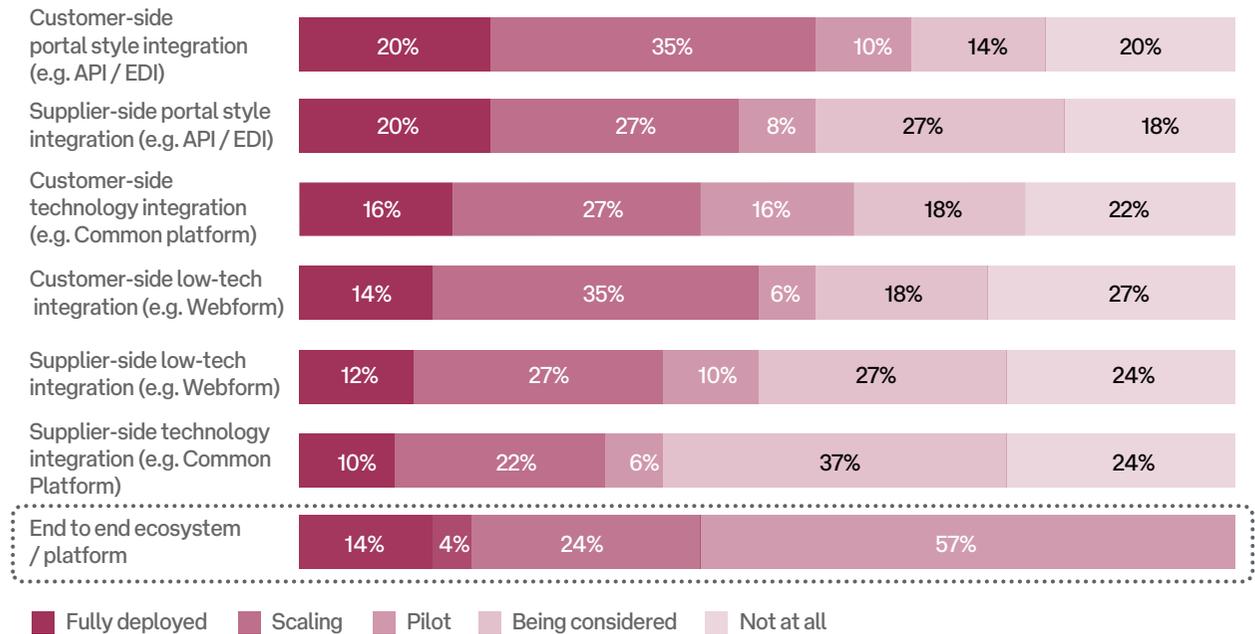
Despite digital technologies being widely implemented and scaled across many businesses, master data quality and accuracy is a significant issue for 60% of organisations. A further 8% believe this will become an issue in the future, representing a significant barrier to achieving the full benefit from technology and digital investments.

## Is master quality data an issue for business?



**60.1%**  
Currently an issue

## Technologies being used to connect and collaborate



**Investments in digitisation, predictive analytics and the use of technology across the value chain are at the heart of everything we're doing. Concepts such as "connected cars" - that feed real time data directly to our supply chain planning and execution systems - are becoming a reality that will transform our industry**

**Matthew Evans**  
General Manager , Ownership Experience, Honda Australia.

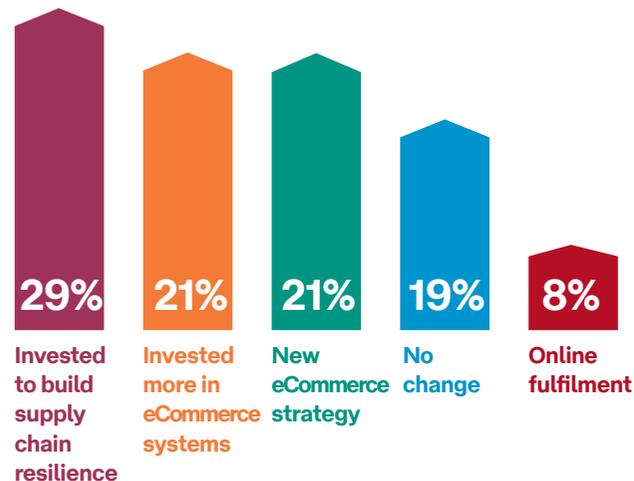
# Growth in eCommerce has been extraordinary...

eCommerce has experienced extraordinary growth during the past 2 years. This growth is driving businesses to invest in capability - both technological and operational - in order to meet consumers' rapidly changing expectations.

eCommerce experienced a phenomenal rise in 2020, with almost nine million Australian households making an online purchase, contributing to growth of more than 57 per cent year-on-year. Even as we work our way through 2021, eCommerce continues to maintain momentum, with five million households consistently buying online each month, 1.1 million more than the average in 2020<sup>1</sup>.

The impact of COVID-19 forced many businesses to pivot to eCommerce - to build resilience and find new ways to service their customers. To quickly adapt to these changing customer and consumer needs, over 70% of respondents invested in eCommerce approaches during the last two years - these included: a new eCommerce strategy, eCommerce platforms, and investing to make their supply chains more resilient.

eCommerce approaches during COVID-19



Surprisingly, 19% of respondents reported their business made no changes in their approach to eCommerce by either implementing or scaling eCommerce solutions during the COVID-19 crisis.

These respondents were from the digital media, specialist manufacturing, IT solutions and medical services industries.

Similarly low rates of investment were seen in online fulfilment, with only 7% of businesses investing to grow or establish these capabilities, and less than 3% to implement new payment systems to help facilitate eCommerce.

What we are seeing with our clients is that the world is changing faster than ever before and businesses across all industries, whether they are selling into consumer or business markets, must adapt quickly to thrive in the 'new normal'. The value and flexibility of eCommerce has also accelerated, benefiting those who have pivoted to serve the needs of their increasingly online and digitally connected customer base. Many clients moved rapidly to boost their online and eCommerce capabilities across B2B, B2C and D2C, but are also now making the longer-term investments needed to integrate their responses into a whole of business, omni-channel customer experience proposition.

Craig Albiston

National Logistics & Distribution Lead, Deloitte Consulting

1. Australia Post Inside Australian Online Shopping Report 2021.

# ...yet there are barriers to further growth.

Online customers continue to drive expectations and investments in more user-friendly shopping sites, faster delivery times, visibility of order status and free and easy returns.

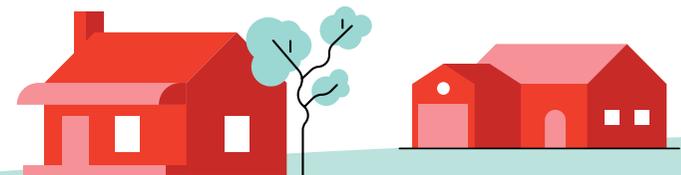
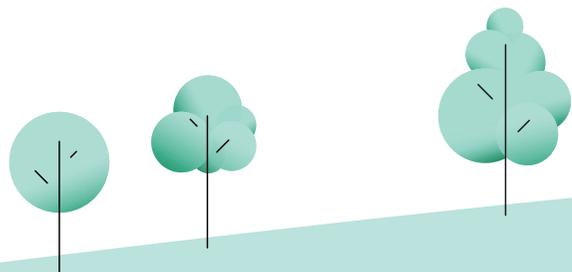
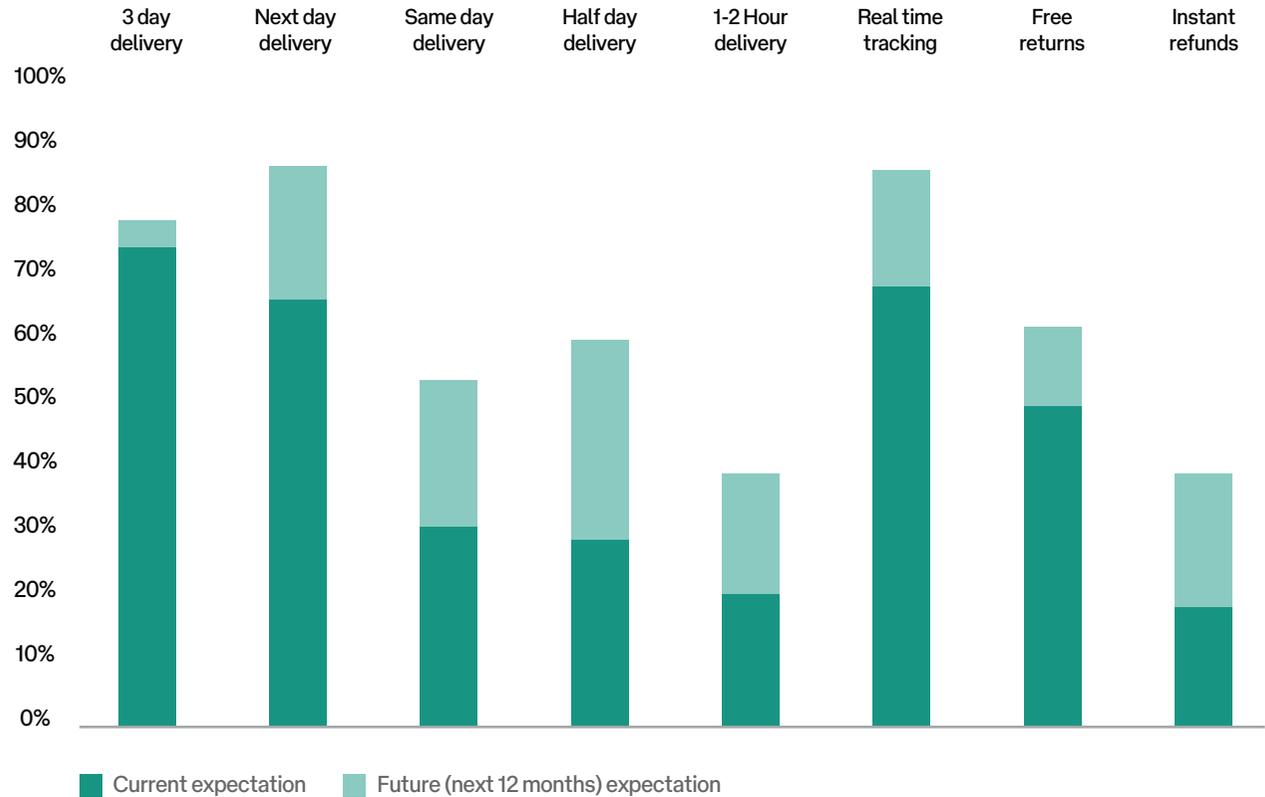
Supply Chain Leaders indicate that currently most of their customers expect deliveries to be made between 1 and 3 days. However, the majority (74%) of respondents expect this expectation to reduce to one day or less in the near future.

When it comes to Real time tracking, 68% of respondents believe consumers expect it to be available now – this number grows to 86% when considering the future.

There's also a growing expectation of Free returns - with 50% of respondents believing customers expect them to offer free returns, with this growing to 63% in the near future.

Interestingly, regardless of the strong trend towards digital sales channels, 47% of respondents say the nature of their products or services was a barrier to shifting more sales towards digital channels. The industries most represented were wholesale trade and manufacturing.

Customer expectations for delivery, tracking and returns.



# Outsourcing is set to decline in favour of hybrid models...

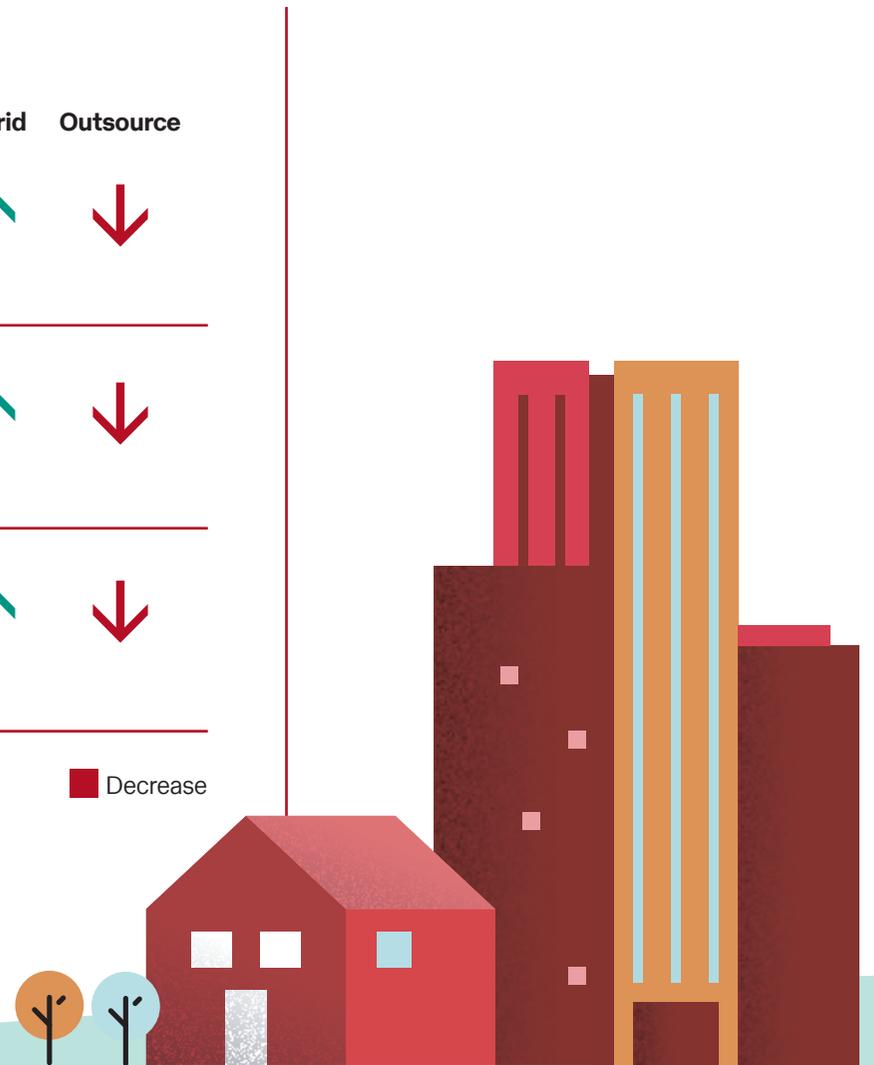
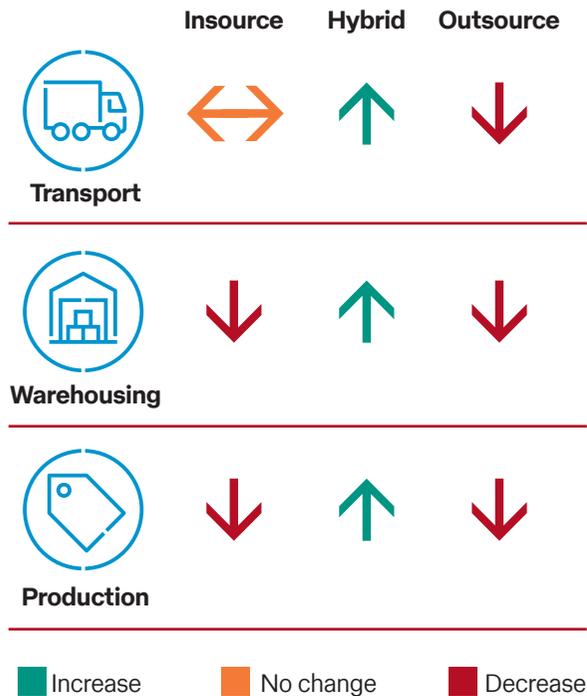
During the 2000s, businesses focused on supply chain optimisation through the lens of reducing costs and inventories and increasing asset utilisation. Outsourcing was a strategy used by many, to meet these objectives across their supply chains.

## Levels of outsourcing set to decline in favour of hybrid models.

Supply Chain Leaders have indicated that levels of outsourcing across the major supply chain functions - production, warehousing and transport - will decline over the next three years. Businesses are moving towards hybrid models as they transition to strategies underpinned by supply chain resilience and agility, and more control over fulfilment and last mile functions.

**COVID-19 has exposed the vulnerabilities of many businesses and driven leaders to reassess their outsourcing strategies.**

## Outsourcing - 2022 Outlook



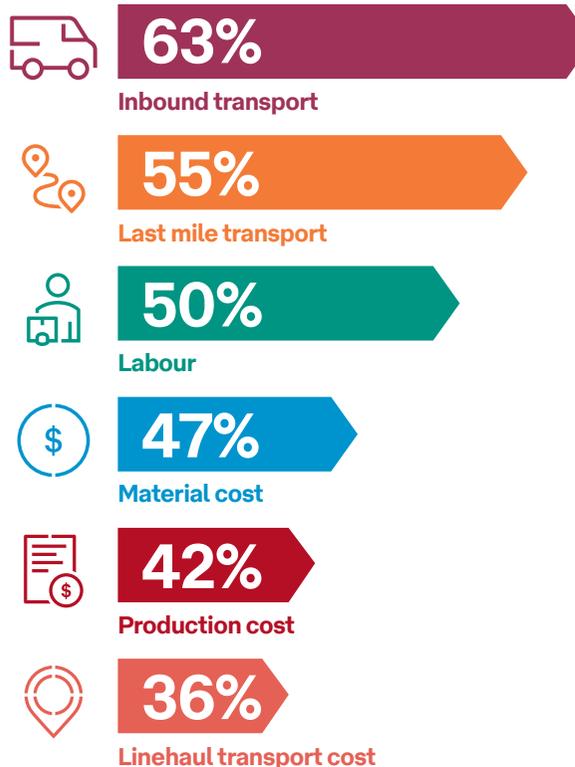
## ...and the cost of transport and labour are key concerns.

**Transport, labour, material and production are the top concerns for respondents – when it comes to costs.**

Despite the focus on eCommerce and growth, and building supply chain resilience, cost continues to be an area of focus and concern, with 40% of respondents reporting a business strategy of reducing operating costs.

Of the key supply chain cost drivers, transport is the primary concern for respondents, with Inbound transport (63%) and Last mile transport (55%) the top 2 cost concerns reported.

### What costs are concerning you the most?



**The other main areas of concern when it comes to costs were Labour (50%), Material (47%) and Production (42%)**

A shortage of workers in the warehouse and transport functions is driving the increase in labour costs. This shortage has been caused by travel and migration restrictions and eCommerce growth. Global supply chain disruptions, shortages of some key materials and manufacturing inputs have also impacted costs, as well as the need for higher levels of investment in inventory and safety stocks to help build supply chain resilience.

Businesses are balancing the increased costs of offering an online channel, while maintaining their traditional channels. Interestingly, respondents clearly recognise that digitisation and the application of technology will help to deliver the required capacity and capability uplifts to drive the efficiency improvements needed. Higher transport costs are caused by global sales growth, which is increasing demand for transport services across all modes - a shortage of transport assets, increasing fuel costs and a shortage of drivers.

# Business planning cycles are shortening...

**As Supply Chain Leaders prepare for the future, planning cycles and decision making are becoming a focus.**

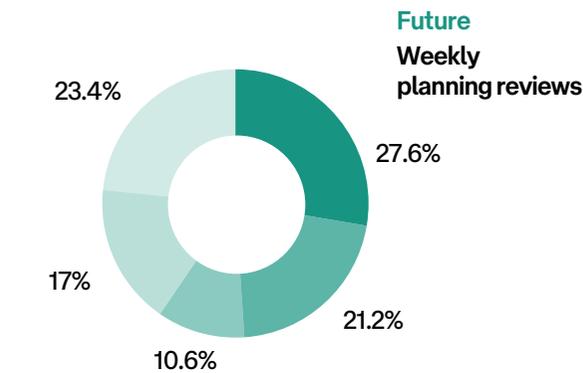
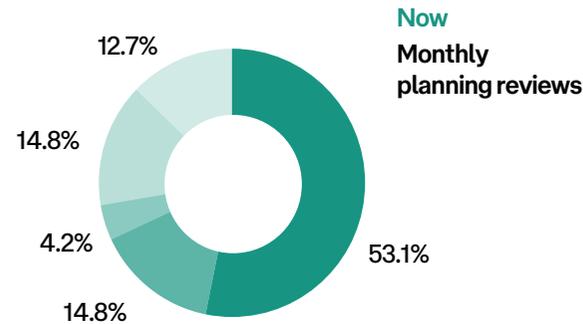
Respondents indicate a current preference towards monthly or longer planning cycles, with 68% having either fully deployed or scaled these approaches in their business.

However, a shift towards shorter planning cycles is emerging, with 32% indicating they plan to scale or pilot weekly planning cycles. This is in addition to the 27% who are already using this approach.

To enable shorter planning cycles, 38% of respondents indicate they are considering implementing real time synchronisation technology into their planning systems, with 28% having deployed, scaled or piloted these.

Despite the shift towards more technology-enabled planning approaches, real time and automated planning and decision-making systems appear to be of less interest at this time - with more than 53% not considering it at all and less than 15% having either deployed or in the process of scaling such approaches.

**Planning cycles now and future**



- Fully deployed
- Scaling
- Pilot
- Being considered
- Not at all



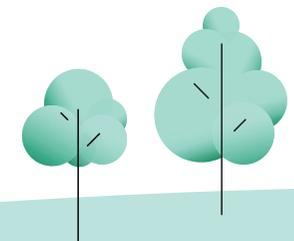
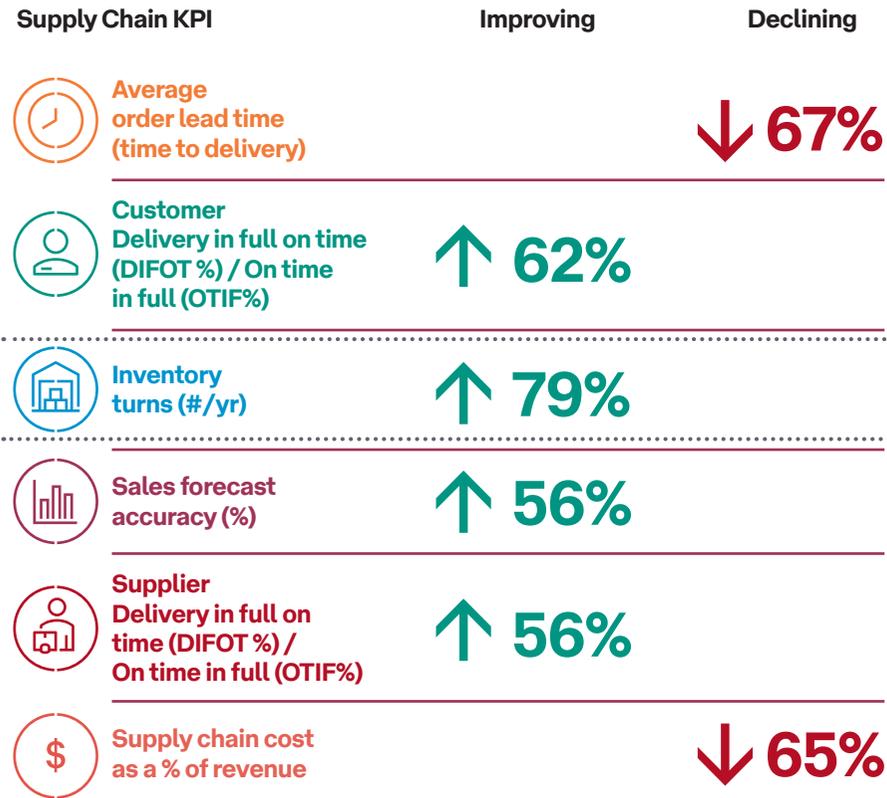
## ...and supply chain performance is improving.

While the challenges still exist today, 2020 was in ways, ‘the year of supply chain’. Several aspects of the function were exposed and challenged. Most businesses were impacted, whether via eCommerce growth or the decline in areas such as travel and hospitality. For many businesses, managing supply chain risk was a question of business survival.

### So, what are Supply Chain Leaders saying about performance in 2021?

- 67% say Average Order lead time has increased as a result of global supply shortages and logistics delays.
- 62% say Customer DIFOT performance in 2021 has improved as supply chain inventories and availability recover.
- Only 56% have seen an improvement in Supplier DIFOT performance or sales forecast accuracy.
- 79% have seen an increase in Inventory Turns due to the increase in customer demand.
- 65% say supply chain costs as a % of revenue, have increased due to higher transport, labour and other input costs.

### How has your supply chain performance changed in 2021?



# Conclusion

Supply chain disruptions are a growing challenge – whether due to a global pandemic, extreme weather events, trade tensions, or the ever-present threat of cyber-attacks. Technology, data and optimised processes all present opportunities to mitigate those risks, improve network speed and flexibility, reduce costs, and better manage unpredictable supply and demand factors.

At each stage of the supply chain, from procurement through to fulfilment and logistics, there are opportunities to improve the way you move physical goods around Australia and the world.

## Optimising supply chains

Whether you're running a fast-growing eCommerce operation, or need to deliver essential supplies, delivery speed and flexibility matter. But it's also important to balance customer expectations with the true cost of end-to-end fulfilment.

Flexible, scalable supply chain capabilities can include:

- Third-party logistics (3PL).
- Locating distribution closer to customers – such as 'store to door'.
- Dispersed micro-fulfilment centres.
- Collection point options.
- Reverse logistics, including returns.

The right solution for your organisation will depend on the importance of speed versus cost, the maturity of your current fulfilment model, and expectations for seamless omnichannel integration.

## Supply chain management consulting

Australia Post's consultancy service can help your organisation optimise and expand its supply chain capabilities. Working in partnership with your team, we focus on practical recommendations we can then help you implement and operationalise.

In as little as six to eight weeks, we will provide recommendations drawing on our supply chain expertise and benchmarking data. It's our goal to ensure you use the right services at the right time for the right customer segments, by:



Identifying and diagnosing hidden process issues.



Identifying opportunities to enhance customer service and experience.



Enabling more cost-effective freight and logistics operations.



Establishing capabilities to move quickly to seize new market opportunities, or manage unpredictable demand surges.

Access best-practice supply chain expertise, with practical recommendations, seamless implementation, and tangible results. Our supply chain consultants work with Australia's leading retailers and can help you identify cost and efficiency improvements across your transport, warehousing, distribution, technology and customer service.

## Find out more

If you'd like to know more about how we can help you move physical goods around Australia and the world, contact your Australia Post Account Manager or visit <https://auspost.com.au/supply-chain>





## About Australia Post

We are making it easier for you to connect with your customers, and find new ones both here and overseas. Through our suite of eCommerce-driven logistics, supply chain and parcel delivery solutions, we can help you to provide seamless online shopping experiences, from checkout to delivery.

If you have any questions about this report or you would like to know more, please contact your Australia Post Account Manager.

If you don't have an Account Manager, please request a call back by visiting:

<https://auspost.com.au/supply-chain>

This report is provided for general information purposes only and is not intended to be specific advice for your business.



Australia Post acknowledges the Traditional Custodians of the land on which we operate, live and gather as employees, and recognises their continuing connection to land, water and community. We pay respect to Elders past, present and emerging.



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