

Pandemic shocks and geo-political tensions fuel supply chain disruption and innovation

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Investing in technology and innovation will be key to resilient and sustainable supply chains, research by Asialink Business reveals

§ Supply chains are under unprecedented strain, due to the impacts of the pandemic, geopolitical tensions, and rising shipping costs.

§ Businesses across Australia and Asia need to invest in building resilient supply chains that can keep pace with the explosion of e-commerce and changing consumer expectations around sustainability.

§ The Asia-Pacific region accounted for 62 per cent of all e-commerce sales globally in 2020, with cross-border e-commerce accounting for a significant proportion of the overall e-commerce market in certain markets, in particular from Singapore into Malaysia.

§ There is a trend towards moving production back home (onshoring) or into nearby countries, diversifying suppliers across the Asia-Pacific region and boosting inventory.

§ Technology investment, including automation, connected sensors and data analytics, is critical to supply chain transformation but small/medium business risks falling behind.

§ The Asia-Pacific is not a homogenous consumer market, with differing platforms and routes to market shaping emerging consumer and supply chain developments.

(Melbourne, 15 September 2021) Faced with unprecedented disruption and strain, businesses in Australia and Asia need to rapidly transition to equip their supply chains for current and future challenges. New research launched today by Asialink Business, supported by Toll Group, analyses the structural pressures on supply chains and argues that technology, innovation, and e-commerce will be key to building sustainable and resilient supply networks.

The research, which included a survey of businesses across Australia and the region, found that supply chain uncertainty is hitting small business hardest. Thirty-two per cent of small businesses surveyed said restrictions on business could threaten their operations, compared to 15 per cent of medium-sized businesses and eight percent of large businesses.

“The COVID-19 pandemic, rising geopolitical tensions and extreme weather events have put supply chains globally under strain. To remain competitive in our increasingly competitive region, business will have to invest more in resilient and sustainable supply chains to meet the shifting needs of customers in Australia and internationally,” Peter Varghese AO, Chair of Asialink, says.

Positively, many businesses are already taking steps to adapt, a point recognised by Toll Group, a leading transport and logistics company across Australia and the Asia Pacific:

“Businesses face a challenge to transform legacy supply chains for the future. But we also have a unique window of opportunity to reorganise and become more adaptive and inter-operable with partners in the region. With supply chains across Asia fundamental to businesses in Australia and beyond, agile planning is critical to future business success,” Thomas Knudsen, Toll’s Managing Director added.

The research identified a trend towards moving production back home (onshoring) or into nearby countries, diversifying suppliers and boosting inventory. Onshoring is particularly appealing to small business, with 30 per cent of those surveyed considering it as an option to improve their resilience.

To equip for future challenges, businesses need to understand and respond to this trend, along with three other major transformations:

§ Firstly, e-commerce is creating pressures and opportunities. Driven by Asia’s e-commerce boom, consumers expect their goods delivered more quickly and reliably than ever. Businesses will need to understand, meet, and exceed customer expectations that are shaped by a diverse range of platforms across the region.

§ Second, businesses that invest now in new technologies, such as automation, smart sensors, and data analytics, will be better prepared to integrate with rapidly evolving regional distribution networks.

§ Thirdly, evolving consumer expectations around environmental sustainability and social impact will continue to change how businesses engage suppliers in the region. For example, over 70 per cent of surveyed businesses identified both modern slavery and reducing carbon emissions as significant concerns for their customers.

The research found that adoption of new technology – such as the Internet of Things, data analytics, artificial intelligence (AI) and Machine Learning - are critical to supply chain transformation. However, Australian business needs to accelerate the uptake of technologies that impact their supply chain or risk being left behind. This is particularly acute for small/medium business. The survey revealed that 27 per cent of medium business, and just 13 per cent of small business are investing in AI for supply chains, compared with 42 per cent of big business.

With a strong call to action to supply chain leaders to prepare now, the report also recommends stronger partnership with government, to support business to develop resilient and sustainable supply chains that meet the needs of citizens in Australia and across the region.

Download the report here: <https://asialinkbusiness.com.au/research-resources/disruption-innovation-reshaping-regional-supply-chains>

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