NO END IN SIGHT FOR SUPPLY CHAIN HEADACHES

Like a dark shadow, supply chain challenges are following us into 2022.

February 8, 2022 • Industrial Distribution • Anna Wells

It was late December when Transportation Secretary Pete Buttigieg announced he'd be awarding more than $241 million in grants to bolster U.S ports, with the amount of money for similar projects set to double in 2022.

It was a decision welcomed by many industry stakeholders, though the overall prospects were clear: the complexity of the supply chain problems facing American businesses will require more than just an influx in cash. The World Bank recently downgraded its outlook for the global economy, blaming ongoing bottlenecks in global supply chains as a key factor being compounded by increasing COVID-19 outbreaks heading into 2022. Add to it the worker shortage that's added to transit bottlenecks and scarcity of labor supporting manufacturing production and there's a snarled mess that poses a continued headache for distributors.

But in a recent article for Forbes, Kevin Beasley, CIO at VAI, a cloud-based ERP provider, says the challenges inherent in the global supply chain crisis are also presenting another side: opportunities. Beasley stresses that, while the past year has been difficult, it has simultaneously "equipped us with the knowledge and experiences to maintain operational efficiency and continue business growth." So what can distributors do to maintain some momentum amidst this ongoing issue?

Ongoing Flexibility

Nobody has a better view of the front lines of this battle than an independent distributor and, according to Lockport, NY-based buying group NetPlus Alliance, the impacts are becoming more and more apparent.

In NetPlus Alliance's latest Industry Outlook survey of its members (conducted in 4Q21), nearly 74% of its distributors reported worsening supply-chain problems compared with the first half of 2021, including longer lead times due to material shortages, high freight and shipping costs, limited production and unpredictable delivery.

Dan Judge, Chairman of NetPlus Alliance said that "many members are reporting higher inventory dollar amounts, including holding more inventory to meet the needs of customers and the rising costs of products. Supply-chain uncertainty leads some distributors to increase stock to serve as a buffer against price increases, long lead times, and lack of availability."

And pivots are happening on the customer side as well. Judge also noted that one of the members said that customers are generally willing to pay more to keep production running, so they have become good sourcers of products and have offered alternatives.

We've Been Here Before... Kind Of

For Sleek Technologies CEO Mike Nervick, disruption and evolution have always held a place in the supply chain, whether or not we acknowledge it in comparison to today.

"Although many logistics companies have become seasoned pros at managing unforeseen challenges," says Nervick, "you'd be hard-pressed to find a shipper, carrier or third-party that isn't happy to see 2021 in the rearview mirror."

But with the rearview looking similar to the road ahead, what's a distributor to do to mitigate another nightmare scenario?

"2022 is shaping up to be just as strenuous," admits Nervick. "Logistics industries have been working as hard as possible to find ways to alleviate many of the headaches they experienced this year – which is why technology will likely be one of the key talking points in the year ahead."

Sleek Technologies, a leader in freight procurement automation, takes a new approach to an old process, dynamically sourcing compliant, asset-based capacity when needed most. Shippers set 80+ configurable attributes that dynamically open qualified capacity.

According to Nervick, the logistics industry has been stuck in "tried and true" ways of doing business for far too long. And while there's something to be said about sticking with what works, as the world speeds up, logistics companies have fallen farther behind: "The unpredictability that's taken hold of the market place over the last 18 to 24 months has highlighted just how antiquated the processes that logistics companies have relied on have become," he says.

The good news, adds Nervick, is that many companies are starting to realize the need for them to overhaul their operations and processes – particularly when it comes to digital. "Companies industry-wide have begun to embrace sophisticated computing as a way to facilitate smarter decision-making and increase their agility – which is why the AI in logistics market is set to experience a 15.8 percent CAGR from 2020-2025. As the supply chain crisis rumbles on into 2022, expect more and more shippers, carriers and third parties to lean heavily on technology as they look to bolster OTD performance, unlock capacity and manage costs, among other priorities."

Automation to "Complement Human Activity"

Beasley of VAI also tells Forbes that technology investments can bridge the gap in many cases. This includes using automation as a way to plug labor shortages. Says Beasley, "Automation will not replace the need for human workers, but rather complement human activity in warehousing, trucking and other industries along the supply chain. It is no surprise that warehouse automation software and systems are anticipated to become a $47.4 billion market by 2023."

He adds that cybersecurity, a long-standing need that is so often pushed to the backburner, is even more critical now as attacks on businesses increase and remote work increases vulnerability. And as companies lean into these improvements, where applicable, they should encourage supply chain partners to do so as well. After all, a supply chain is only as strong as its weakest link.