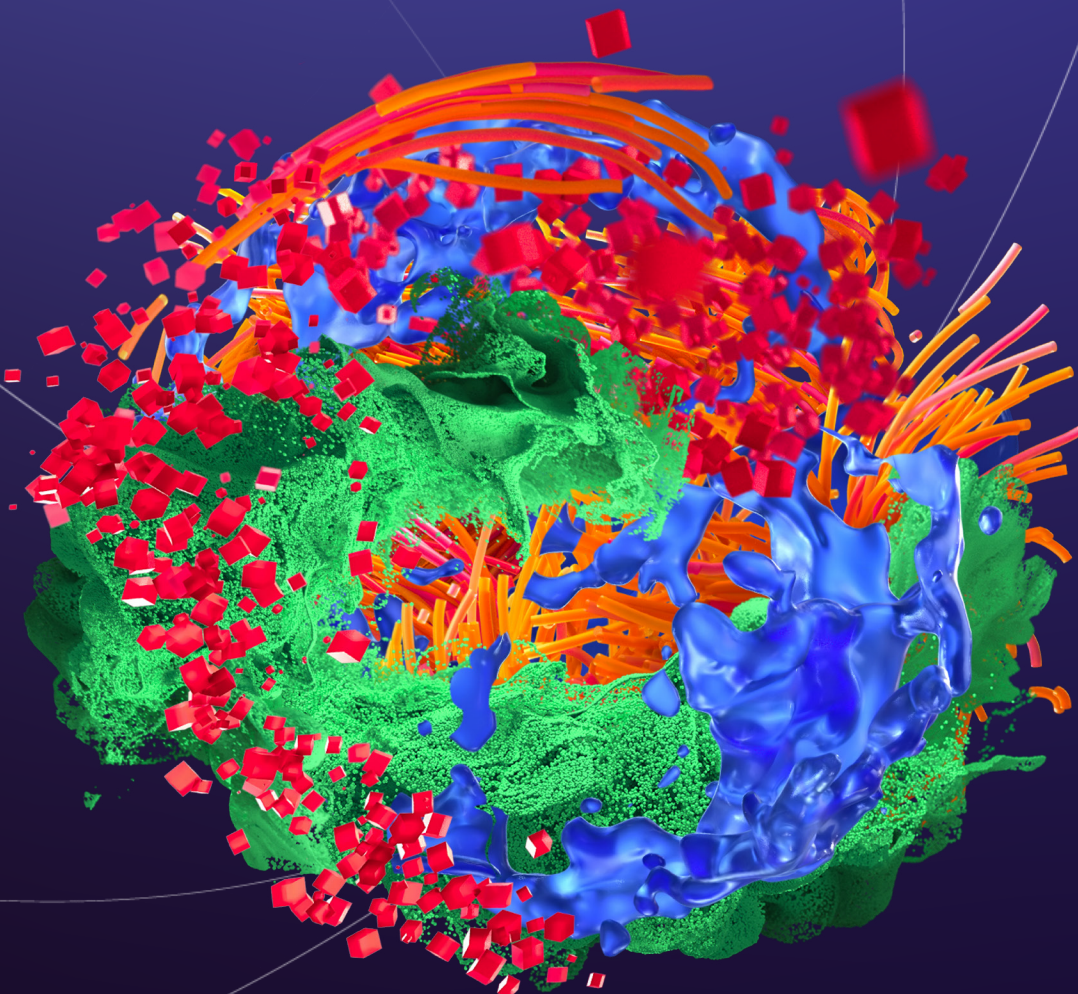


SUPPLY CHAINS ARE PREPPING FOR A GREENER, MORE AGILE FUTURE

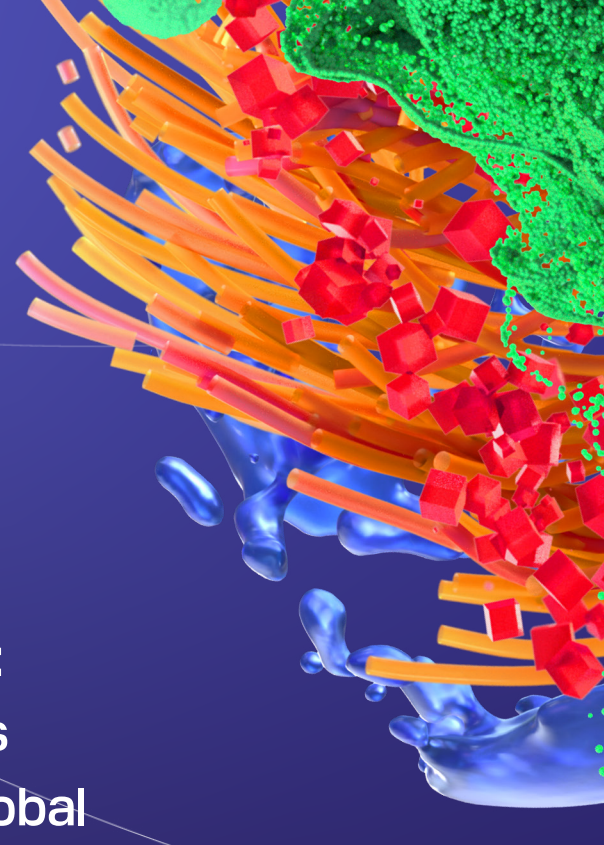


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SUPPLYCHAINDIVE

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Today's supply chains are vulnerable: That's the lesson many organizations have learned firsthand thanks to a global pandemic, political conflict, natural disasters and myriad other challenges.

On the bright side, this wake-up call issues a mandate for change that gives chief supply chain officers “a once-in-a-generation opportunity to future-proof their supply chains,” [McKinsey](#) says. “And they can do that by recognizing the three new priorities alongside the function’s traditional objectives of cost/capital, quality and service.” These priorities are **resilience, agility and sustainability**.

Organizations are hearing the message loud and clear. A recent survey deployed by DP World and Supply Chain Dive’s studioID to nearly 160 leaders from across the supply chain, operations and IT sectors found that demand and supply variability (41%), inflexibility/inability to adapt quickly to change (34%) and environmental, social, and governance (ESG) pressures (28%) topped a long list of supply chain issues their organizations are facing (see Figure 1).

Solutions to these issues must address the shortcomings of companies’ current supply network designs and do so in a way that reduces carbon emissions and increases efficiency. Helpful in keeping a strategy on track is understanding the strategies other organizations are leveraging to reduce risk and craft a more efficient, agile and sustainable supply chain.

This report delves into the results of the survey, highlighting how respondents across various industries are reinventing their supply chains to help you plan how to improve the efficiency, agility and sustainability of your company’s supply chains to better weather challenges now and in the future.

TACKLING THE TOP SUPPLY CHAIN CHALLENGES

The tumult of recent years is still impacting supply chains. Pandemic-induced variability in demand and supply exacerbated inflexibilities in many organizations' supply chains, highlighting their inability to adapt quickly to change. Those challenges persist even now while pandemic-related disruptions subside and other issues arise (see Figure 1).

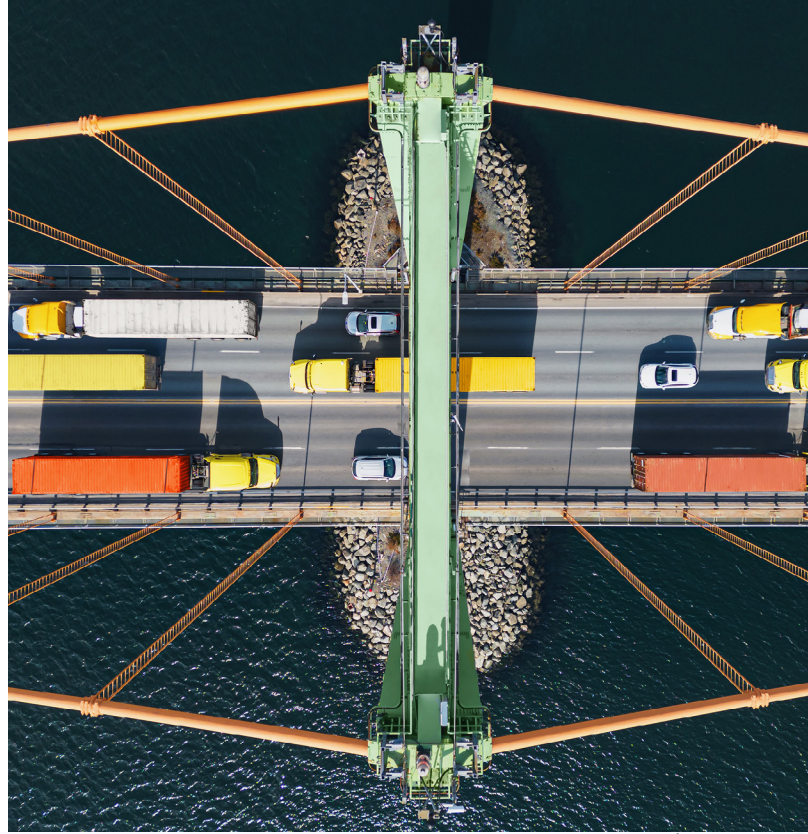
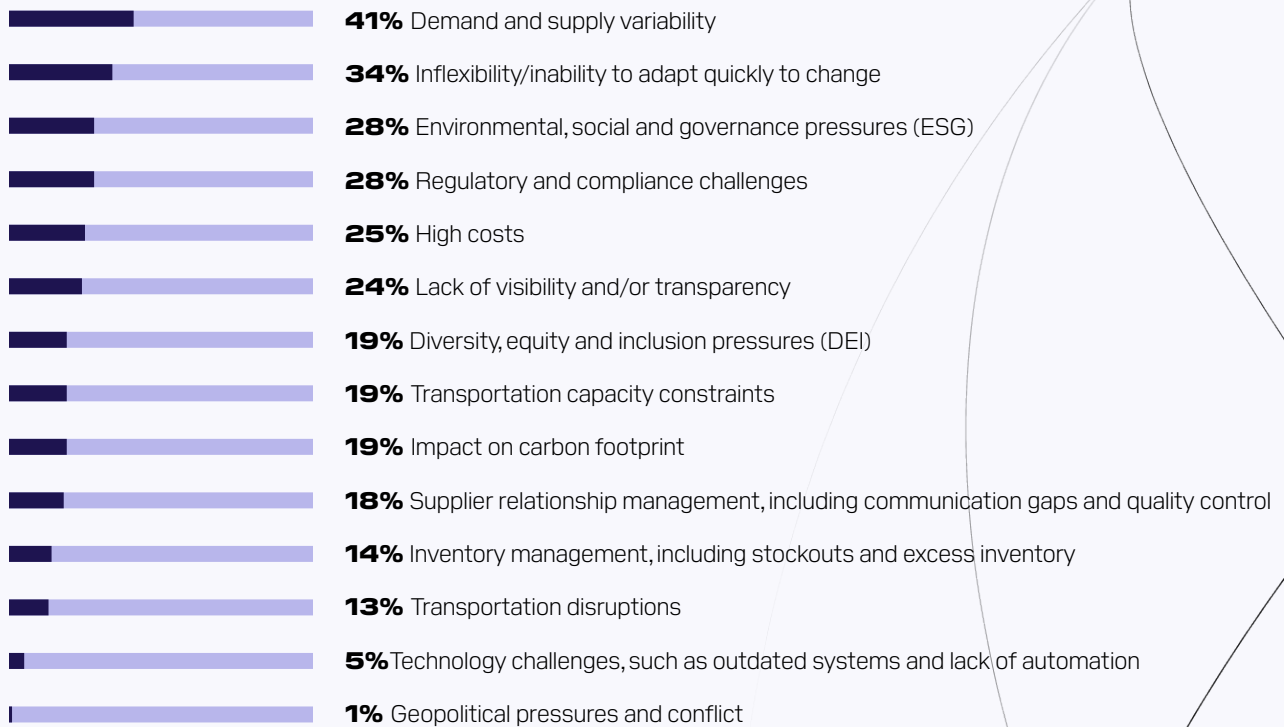


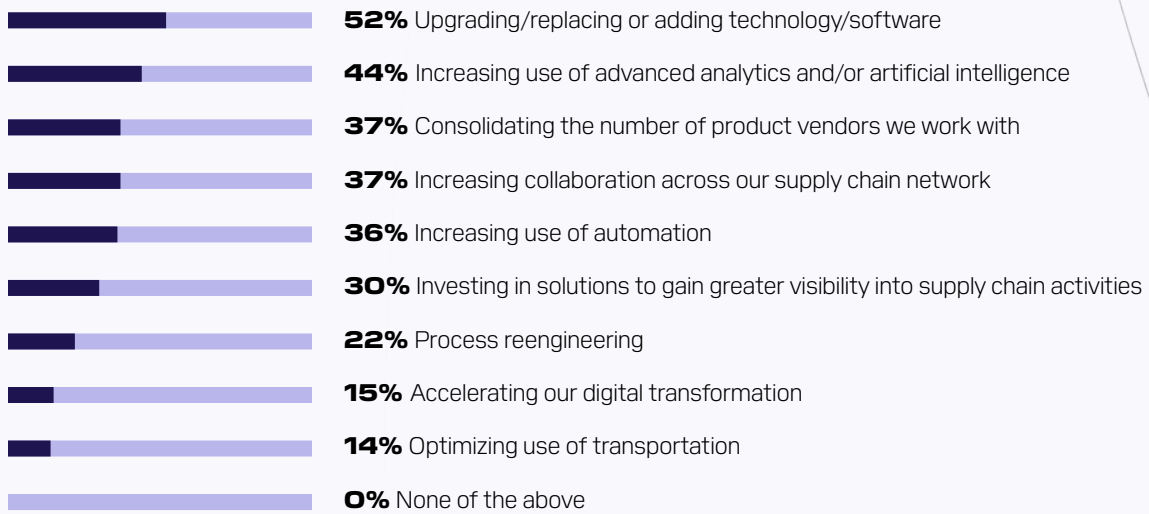
FIGURE 1
Top Issues Facing Supply Chains





Respondents are turning to a variety of strategies (see Figure 2) to address these issues, with many leveraging technology to do so. More than half (52%) are upgrading, replacing or adding technology or software, and 44% are increasing the use of advanced analytics and/or artificial intelligence. Other tech-focused strategies include increasing use of automation (36%) and investing in solutions to gain greater visibility into supply chain activities (30%).

FIGURE 2
Strategies to Tackle Supply Chain Challenges



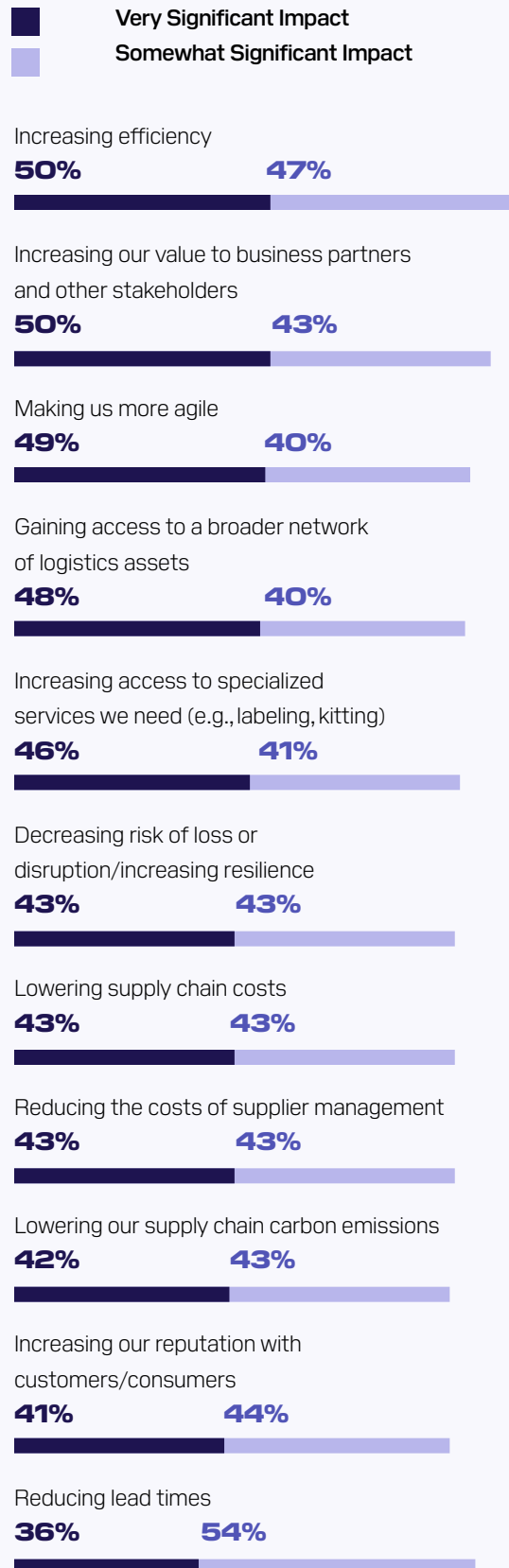
Respondents have high hopes for these strategies (see Figure 3). Nearly all (97%) anticipate a “very significant” or “somewhat significant” impact on efficiency because of the strategies they cited in Figure 2.

Efficiency-focused actions, such as reducing touches across the supply chain, lead “to less consumption of fuel, labor, cardboard — whatever inputs you are using throughout the chain — and the general ability to reduce time,” notes Otto Bottger, commercial director, Americas region at global logistics solutions provider DP World. These benefits also help respondents respond to ESG pressures.

Interestingly, the second-most-cited impact is increasing respondents’ value to business partners and other stakeholders (93%) — perhaps a nod to the growing recognition of strong supplier relationships to an agile and effective supply chain.

Respondents have high hopes for many other outcomes, including increased agility (89%), gaining access to a broader network of logistics assets (88%) and increased access to specialized services such as labeling or kitting (87%).

FIGURE 3
High Hopes for Supply Chain Strategies



A CLOSER LOOK AT VENDOR STRATEGIES

Vendor networks have attracted attention in recent years as supply chain managers look to mitigate risk and reduce complexity. Survey respondents are taking a variety of approaches: 37% are consolidating the number of product vendors, for example, and 33% are diversifying their transportation and logistics partners.

Reducing purchasing costs (e.g., through volume discounts) (46%), reducing supplier management complexity (44%) and improving supplier relationships (42%) are the biggest benefits of vendor consolidation, according to respondents (see Figure 4).

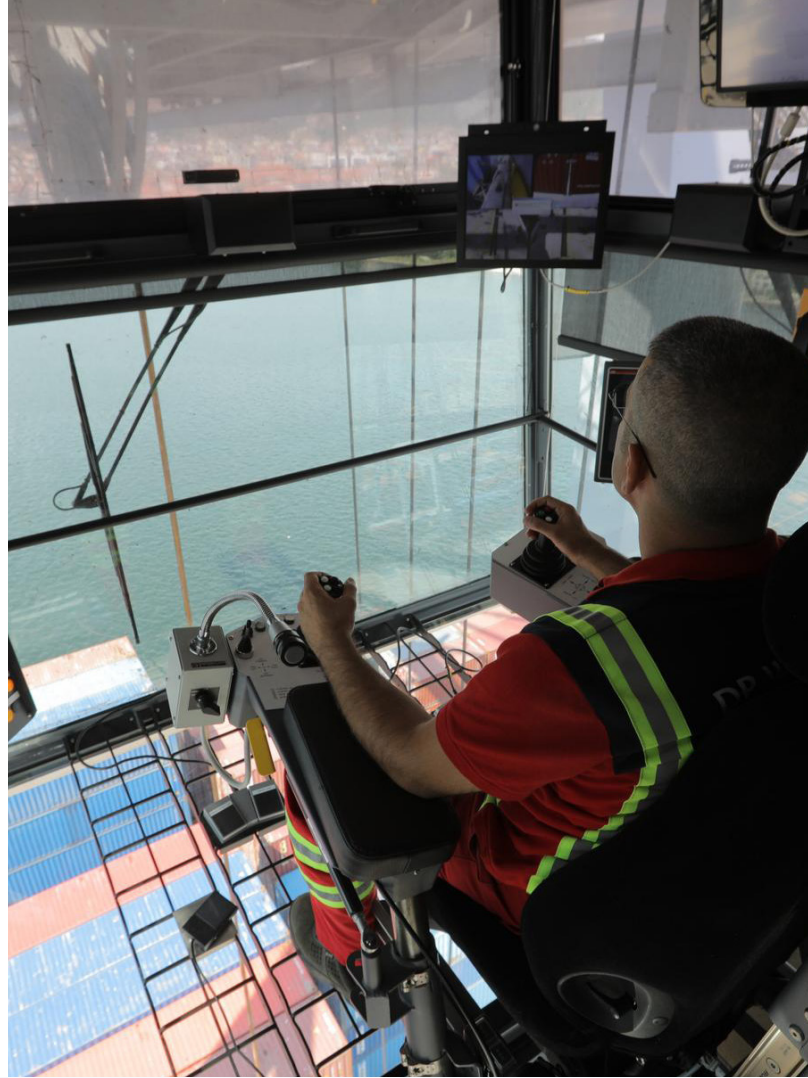
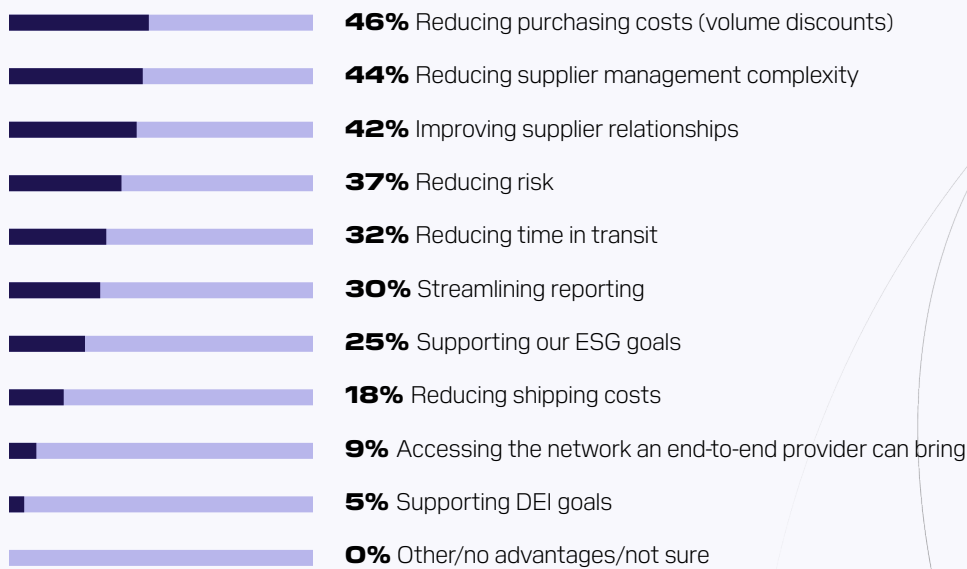


FIGURE 4

Benefits of Vendor Consolidation





Quality data and access to the efficiency and scalability of a ready network are two common reasons organizations outsource supply chain management to an end-to-end provider, Bottger says. As with a loyalty program, developing a close relationship with a single source provider pays off when things get tough.

“Relationships are key. The more a service provider knows about their customer — and the more invested they are in that customer — the more opportunities they have to create innovative solutions that address their needs,” he explains. “That’s hard to do on an a la carte basis.”

Respondents are also supporting DEI goals in their supply chains through actions such as diversifying or expanding the number of transportation/logistics partners (52%) and product vendors (31%) they work with. These strategies occur alongside increasing the diversity of their own supply chain workforce and leadership (45% each) and providing DEI training for all supply chain employees (39%). The top benefits respondents expect from these DEI efforts include enhancing employee engagement and retention (51%), fostering innovation and/or creativity (44%) and improving reputation (38%).

IMPROVING SUPPLY CHAIN SUSTAINABILITY

ESG pressures tied for third (28%) among top supply chain issues (see Figure 1), a result that would have been surprising even a few years ago. But the pressure is real. According to [Deloitte](#), “One of the hottest of the hot buttons for investors, customers, and regulators is better performance and disclosure related to a company’s climate impact.”

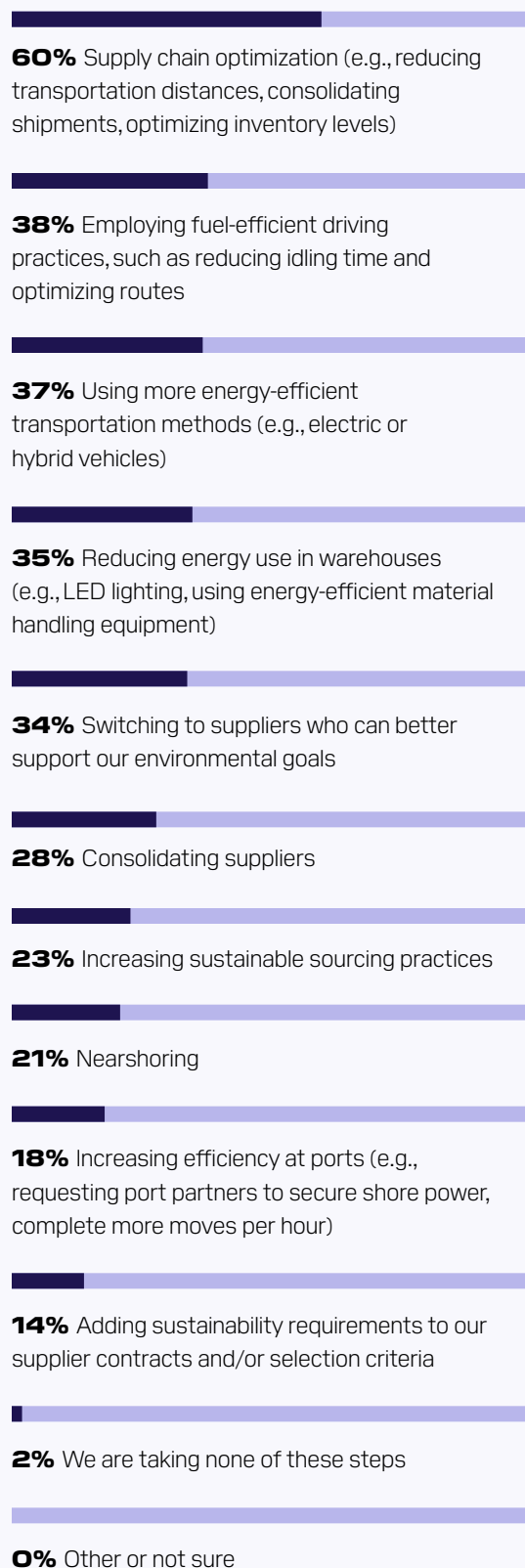
This trend is further highlighted by data from the [National Centers for Environmental Information](#), which counts 12 confirmed weather/climate disaster events with losses exceeding \$1 billion each in the United States through mid-July, air and water temperature records being set daily across North America, and the ongoing impact of large-scale Canadian wildfires.

ESG’s rising importance isn’t just perception: 54% of respondents said the priority they place on supply chain sustainability/decarbonization has somewhat increased compared with three years ago, with another 36% saying it has significantly increased.

The No. 1 strategy for supporting ESG goals is optimizing supply chains (60%) to achieve goals such as reducing transportation distances, consolidating shipments and optimizing inventory levels (see Figure 5).

FIGURE 5

How Respondents Are Supporting ESG Goals



Improving energy efficiency is also popular: 38% of respondents are employing fuel-efficient driving practices. A similar number (37%) are using more energy-efficient transportation methods, and 35% are reducing energy use in warehouses.

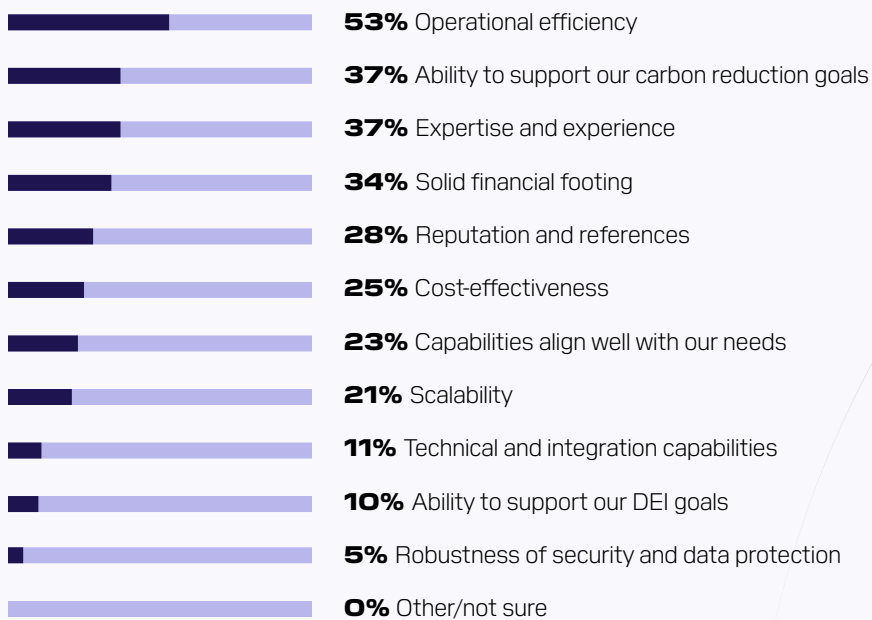
“There are significant opportunities to create more efficient supply chains by eliminating steps, streamlining operations and optimizing the supply chain through the use of technology and data analytics,” says Bottger. He adds that optimization also ties into reducing energy consumption and deploying energy-efficient vehicles.

Suppliers drive the carbon impact of any supply chain, and companies will drive decarbonization from their vendors whenever possible. More than one-third

(34%) of respondents are switching to suppliers that can better support their environmental goals. Respondents are also monitoring or adding ESG requirements for tier one (50%) and tier two (61%) suppliers, although just 21% include tier three suppliers.

Decarbonization and sustainability will remain important for suppliers going forward, with 84% of respondents saying those capabilities are extremely or very influential in the selection process. In fact, the ability to support respondents’ carbon reduction goals tied for the second-most-important factor influencing their choice of supply chain solution providers (37%) (see Figure 6). Other key qualities include operational efficiency (53%), expertise and experience (37%) and solid financial footing (34%).

FIGURE 6
Top Factors Influencing Choice of Supply Chain Solution Providers





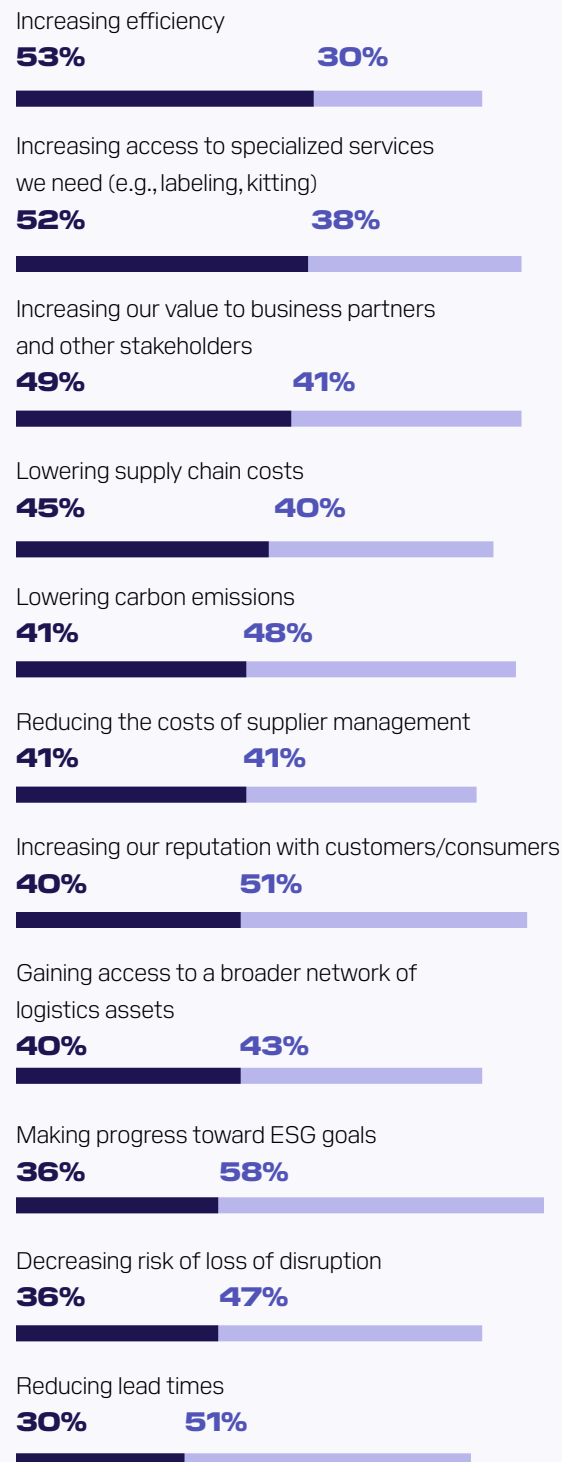
“In just the past few years, we’re seeing businesses take a much more proactive approach to evaluating the capabilities of their vendors as they seek to reduce the overall carbon life cycle of their products,” said Morten Johansen, chief operating officer of DP World Americas. “If a service provider can demonstrate meaningful carbon reduction, for example, through the use of renewable energy sources or operational efficiency and productivity gains that will reduce carbon emissions along the transport chain, its starting to have a meaningful impact on the selection process.”

Increased efficiency is the top outcome respondents expect from their ESG activities (see Figure 7), with 83% citing this as very or somewhat significant. This is a positive take on an issue that historically was considered burdensome. Other top benefits include increasing access to needed specialized services, such as labeling or kitting (52% saying “very significant” and 38% “somewhat significant,” respectively), and increasing value to business partners and other stakeholders (49% and 41%).

FIGURE 7

What Respondents Expect from ESG Investments

Very Significant
Somewhat Significant





Respondents also want credit for the investments they are already making in ESG.

For example, the Securities and Exchange Commission's Scope Rule 3, proposed in 2022, would require firms to account for and disclose carbon emissions produced up and down the supply chain by outside vendors, suppliers and partners.* A surprising 55% of respondents say they "welcome the Scope 3 mandate as an opportunity to spread awareness of our work to reduce the carbon impact of our supply chain activities."

One-quarter of respondents also "believe the Scope 3 mandate would be unnecessarily burdensome and costly," while 19% "support the concept of an emissions reporting mandate but believe the current proposed rule requires significant modification." While the enthusiasm is admirable, says Johansen,

much of the technology to capture the necessary and accurate compliance information doesn't exist or isn't viable across the entire supply chain yet. However, consolidating supply chain management to a single partner makes it far easier to gather carbon data. He says this creates a distinct advantage as regulations take hold and technology enables better reporting.

Despite the optimism about how ESG investments can improve efficiency, the concern persists that reducing carbon emissions means sacrificing speed, efficiency and other key supply chain characteristics. Respondents' top concerns about the steps they are taking to reach their ESG goals include increasing risk of loss or disruption (40%), requiring additional resources for compliance (38%) and limiting flexibility (34%). As organizations are pushed to measure and reduce their carbon footprint more effectively, they will need to identify supply chain providers that can support both their agility and sustainability goals.



PREPARE FOR A BETTER SUPPLY CHAIN FUTURE WITH THE RIGHT PARTNER

Alongside their perennial focus on cost/capital, quality and service, supply chains must also strive for greater resilience, agility and sustainability to meet the approaching headwinds. Growing pressures to decarbonize the end-to-end supply chain — and accurately measure and report on performance — are clearly impacting the respondents surveyed by DP World and Supply Chain Dive's studioID. These supply chain leaders are investing in technology and revisiting their vendor strategies with an eye to streamlining and simplifying their end-to-end operations.

Moving forward, prospective supply chain partners' decarbonization and sustainability capabilities will be extremely or very influential in the organizational selection processes. Despite the obstacles, companies are optimistic that the strategies they're adopting today will help them establish greener, more agile and efficient supply chains that are equipped for a more dynamic future.



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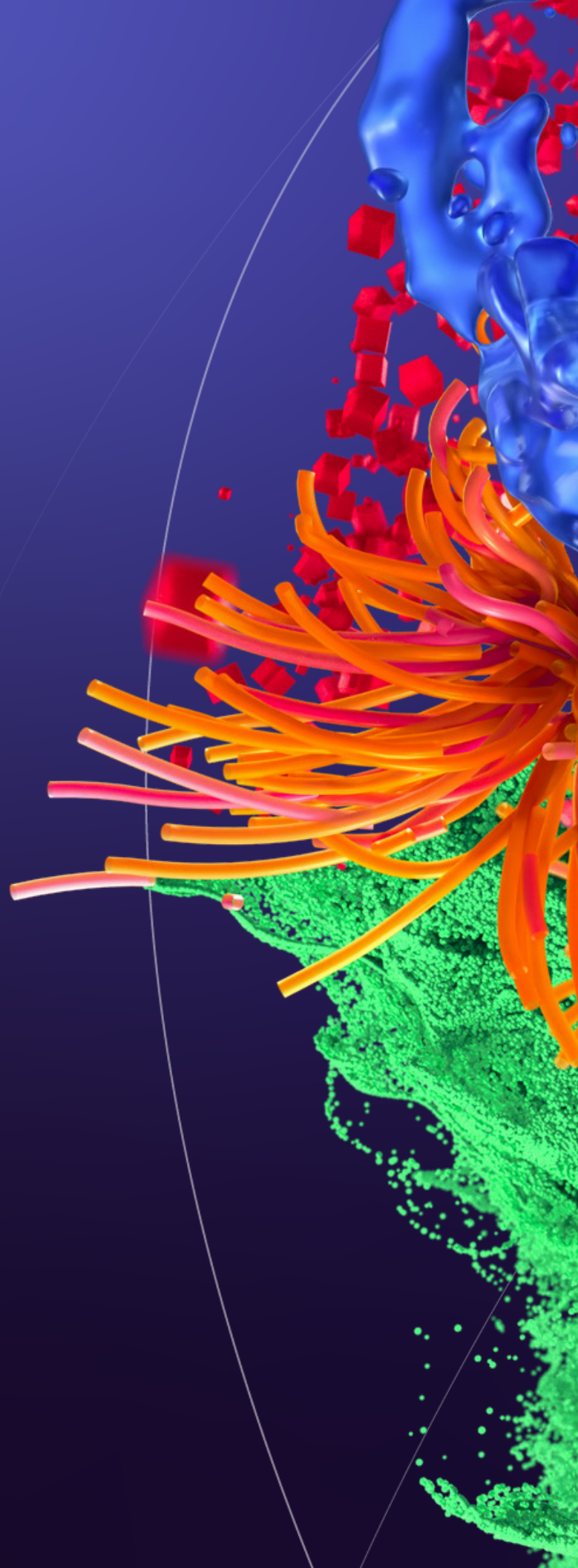
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