

ORDERWISE®



THE PERFECT STORM:

Securing your supply chain during
staff and stock shortages

November 2021



THE BIGGEST STOCK SHOCK SINCE 1983

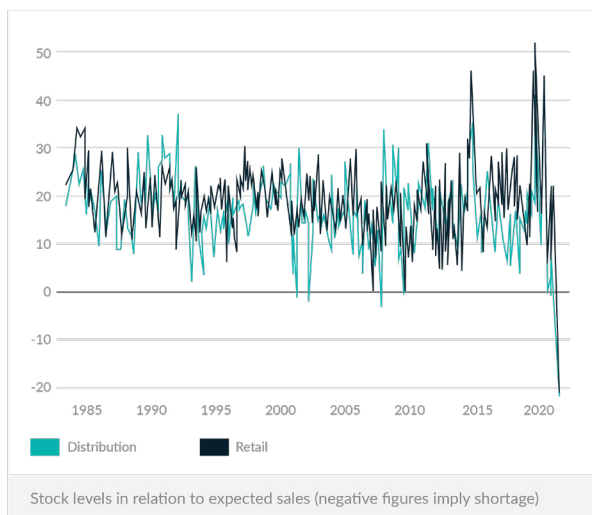
For the majority of 2021, the UK's stock levels were at a record-breaking low. According to the Confederation of British Industry, shortages had not been so severe since 1983.¹

The commodity crisis impacted businesses across all sectors and industries.

CBI Industrial Trends Survey revealed that in August 2021, manufacturing stock adequacy had worsened from -11% to -14% in July. This is the weakest level since records began in 1977.²

However, experiencing stock shortages in the UK is not a novelty in the 2020s, which have started off more distressing than roaring.

UK firms report lowest level of stock since record began in 1983



Whether a business is struggling to distribute their own goods, or they are having their supply chain disrupted by the pains of their suppliers and third parties, the problem is as widespread as its causes.

CAN YOU FORECAST THE PERFECT STORM?

The shortages of 2021 have been described as a perfect storm of logistical problems.

The two huge issues of staff shortages and supply chain disruption have been joined by a third difficulty. Demand diversification has increased rapidly given how COVID-19 accelerated the shift into online retail.

Nevertheless, sustaining a suitable stock supply will always be an ongoing challenge for businesses and it won't simply disappear post-COVID or Brexit-teething.

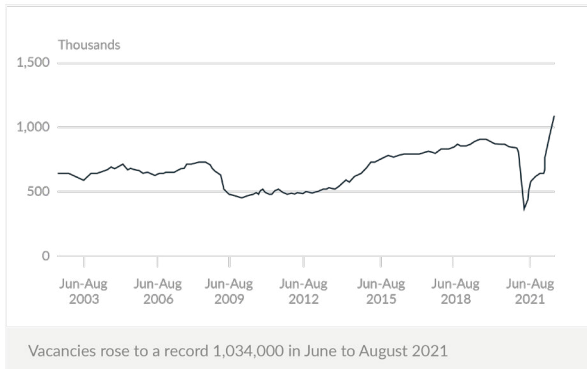
In this guide, we will explore the different components that contribute to adversely inadequate stock levels and how businesses can combat these financially crippling, insufficiencies.

LOW ON LABOUR

In 2021, the UK labour market experienced its worst shortage since 1997.³

Despite the staggering number of workers who lost their jobs as a result of the pandemic⁴, in 2021, the struggle to fill vacancies across various industries was at its highest in over 20-years.

Number of vacancies in the UK, seasonally adjusted, June to August 2002 to June to August 2021



The sharp drop in vacancies reflects upon the struggles of businesses that were unable to operate at full capacity during the first and second waves of the pandemic. However, the rapid rise in vacancies doesn't just signify the early stages of recovery for those industries. It reflects how the labour market was forced to shift away from industries unable to hire during the pandemic.

According to the REC (Recruitment and Employment Confederation) and KPMG (Klynveld Peat Marwick Goerdeler) survey of more than 400 UK recruitment firms, **a sharp rise in hiring demand led to the unprecedented fall in the availability of candidates in June.** Recruiters noted that increased hiring, Brexit, pandemic-related uncertainty and the furlough scheme all weighed on the number of jobseekers available.⁵

Whether it is in the warehouse, on the road or front-of-house, the severity of the UK worker shortage is disrupting and delaying the supply chain leading to the mass stock shortage.





WANT FOR WAREHOUSE WORKERS

One of the most crucial areas of the supply chain is the warehouse. However, throughout 2021, warehouses across the UK and the world were struggling to fulfil orders and meet deadlines due to a serious shortage of staff.



The urgency to resolve this has led to some of the biggest brands in Britain such as Amazon and Ocado to use financial incentives as candidate attraction methods.⁶

In 2021, the number of qualified forklift truck operators in **the UK was estimated to be down by some 25%** on the levels needed to effectively run the nation's forklift fleet.

Close to a third of Britain's remaining forklift drivers are said to be EU nationals. The decision to limit overseas workers' access to the UK job market means the situation is only likely to become worse.⁷

Even if businesses have the resource to meet consumer demands, they must deal with the dilemma of delivering it.

DEMAND FOR DRIVERS

The Road Hauliers Association (RHA) has estimated the shortage of about 100,000 drivers in the UK during 2021. This shortage impacted countless industries that despatch and supply their goods across the country and export abroad.

89% of all goods transported by land in Great Britain are moved directly by road. The 11% that is not moved by road, often need road haulage to complete journeys to/from ports, airports or rail terminals). **98% of all consumer products and machinery in Great Britain are transported by road freight.**⁸

The drastic demand for drivers has been the result of numerous factors during the early 2020. There was a halt in HGV training, standard driving tests and vehicle maintenance.

In addition, due to post-Brexit immigration rules and COVID border controls, the Economics Statistics Centre of Excellence reported in January 2020, that 1.3 million EU nationals had left the UK over 2020.⁹

SKILLS INSUFFICIENCY

On top of a desperately sparse labour market, the UK has for years been experiencing a serious skills shortage.¹⁰

Without a doubt, this has only been exacerbated due to the labour market's fear and uncertainty of sustainable work in the early 2020s. Many candidates struggling for work and training left their desired professions to secure an income in a COVID resilient industry.¹¹

It's not all down to the abilities of the candidates. There is a huge backlog of undertrained workers and candidates lacking the necessary skills needed to fill the gaping hole in our supply chain.

**98%
OF ALL CONSUMER
PRODUCTS AND
MACHINERY IN
GREAT BRITAIN ARE
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ROAD**





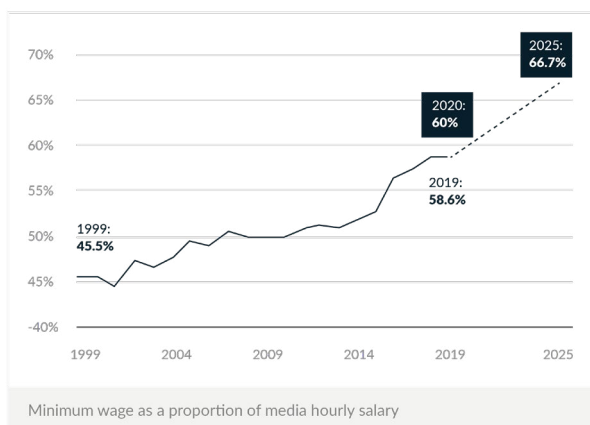
RISING LABOUR COSTS

In addition to annual increases to the UK's living and minimum wage, general labour costs are also set to increase due to the shortages.

According to the Financial Times, 'UK employers expect to hand out bigger pay rises next year as companies, already struggling to recruit, will offer higher wages to retain existing staff.'¹²

It's been reported that over 2021 HGV drivers have received as much as a 40% pay rise. In the same report, it was revealed that 'some firms were advertising drivers' jobs at £50,000 a year and smaller companies could not compete.'

While a wage increase is arguably long over-due for many lower salaried workers, increasing salaries nationwide will put further financial burden on struggling businesses. For organisations that have had their profits impacted by the shortages, they are just not in a position to increase salaries to match the competition.



THE PITFALLS OF PEAK PERIODS

The amalgamation of complications we've faced in the early 2020s are issues we have never encountered before. However, experiencing stock shortages is not one of them.

Once staffing levels rise and the distribution of supplies increase, shortages will continue occur.

Countless businesses experience staff and stock shortages throughout the typical peak sales seasons. Occasions like Christmas, Black Friday, Cyber Monday and the January sales are prime examples.

Some businesses have such a broad reaching customer base that even outside of the traditional peak seasons, they can run promotional offers and campaigns. This will continue to put their supply chains and operations under pressure.

In July 2015, online retailing giant, Amazon, launched Prime Day to celebrate 20-years in business.¹⁵ Then, Prime Day was a one day only promotion which generated \$900,000 in sales. Due to its success, Amazon has continued Prime Day annually. In 2020, and in 2020 its estimated sales reached \$10.4 billion.

Of course, we know that it is not as easy as marketing your promotion online and sitting back while the sales come flooding in.

PREPARING FOR PROMOTIONS

The forecasting required to successfully execute and manage these types of sales promotions is extensive.

Businesses often expect to have staffing shortages during their peak sales periods. In preparation, companies recruit temporary labourers to support them through their sales spikes.

But with so many businesses and their suppliers understaffed, even without the added pressure of promotions and sales seasons, how are they going to cope?



In a report by IG Group, published in November 2018, it was stated:

"A criticism of Black Friday is the impact it has on inventory and digital infrastructure. Small retailers have a hard time ensuring they strike the right balance between having enough stock to meet surging demand without being lumbered with too much inventory. Plus, the surge online has often caused more traffic than websites can handle, causing them to crash."¹⁶



INCREASING SHIPPING CONTAINER COSTS

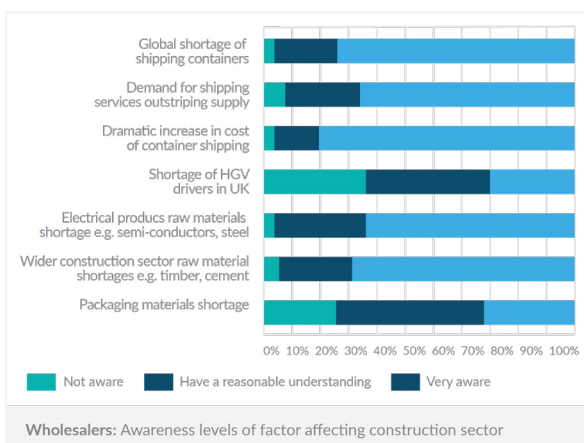
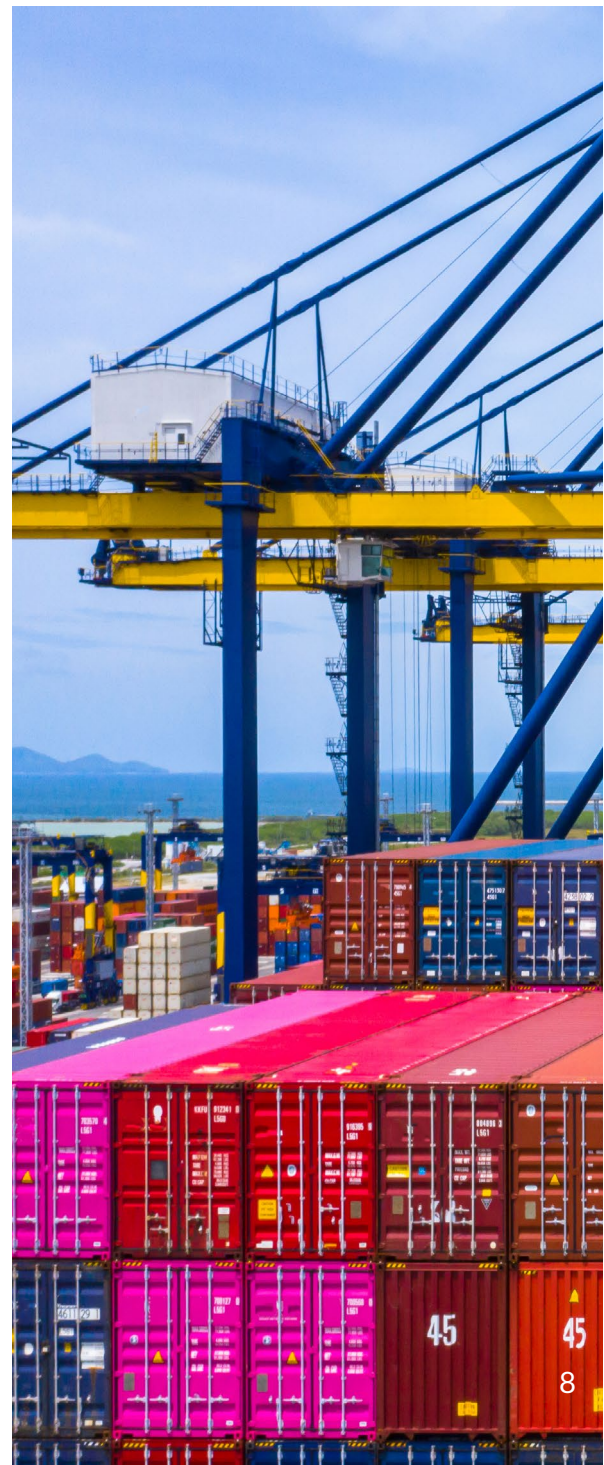
A consequence and a further exacerbation of the supply chain crisis is the global rising costs of freight and shipping containers. While this isn't new, the impact of it has been dramatically heightened amongst other ongoing supply and labour shortages.

The demand for shipping increased to record levels in 2021. Shipping lines and leasing companies are ordering more containers than ever before, causing shipping container prices to rise to a profitable point.¹⁷

The shortage and increase in shipping container costs have become additional elements to **the perfect storm** that has created the widespread supply instability.

The main cause can be attributed to supply restrictions in China, where the majority of containers are manufactured. Other issues included difficulties in moving containers into Europe and the UK, and an increasing number of businesses opting to reuse containers and not sell them on.¹⁸ Of course, shortages only lead to surging demands and increasing prices.

On top of this, while businesses may be struggling to conjure up stock, those that are well in supply are struggling for adequate storage to protect and preserve stock.

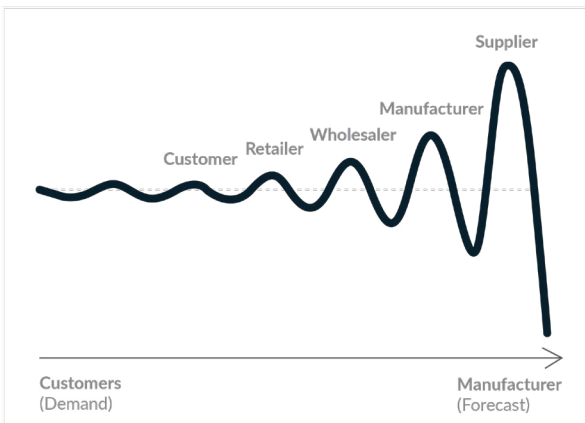


THE BULLWHIP EFFECT

In the urgency to keep stock rolling and increase staffing levels, do businesses run the risk of not actually meeting consumer demand, but oversupplying?

The Bullwhip Effect is a term coined to describe the drastic fluctuation of consumer demand. In an attempt to attempt to meet customers' needs, businesses fail to accurately forecast demand and supply timescales. Subsequently, this leads to an oversupply of products that are no longer in such high demand by the time they are available to purchase.

The consequence of this leads to a serious wastage of time, resources, space and earnings.



Unfortunately, falling victim to The Bullwhip Effect doesn't exempt a business from also suffering stock shortages. These are inevitable if resources have been focused on one particular product, while others have been neglected.



LACK OF AUTOMATION IN A BUSINESS CAN LEAD TO AN UMBRELLA OF PROBLEMS

- UNDERSTOCKED
- SHORT STAFFED
- DELIVERY DELAYS
- OUTDATED OR EXPIRED STOCK
- NO ROI
- LOSING PROFITS
- UNENGAGED CUSTOMERS
- INSUFFICIENT FORECASTING & REPORTING

RESTORING STOCK SUSTAINABILITY AND RECOVERING

While the supply chain issues inflicted during the early 2020s will eventually either resolve or be overcome, new disruptions will occur. Your business cannot avoid them. However, you can prepare for them, no matter how unexpected they are.

When you face issues with your supply chain and stock, it can feel like a vicious circle.

But this isn't a vicious circle. It's an umbrella of problems, all stemmed and propped up from one core fault, a lack of automation and integration within businesses.



THE TRUTH ABOUT AUTOMATION

What your business needs is an umbrella that will protect you from 'the perfect storm' of supply chain problems.

There is nothing that will shield you better than a fully integrated, centralised, end-to-end ERP (enterprise resource management) or WMS (warehouse management system) solution.

This is business management software that can automate and synchronise your data and workflows from across every aspect of your

business, including multiple departments, locations and sales channels.

With a solution like an ERP or WMS software, your business would have the most seamless access to the most accurate data, in real-time. This vital business intelligence can be produced by a manual and automated workforce performing at maximum speed and efficiency.

WHAT EXACTLY DOES THIS MEAN?

Better results with less work

Through the digitalisation and integration of business data, you can access real-time information on all your company's activities with the click of a button.

By having these data processes automated and accessibility to the data streamlined, your business removes the need for outdated, paper-based processes. Without these archaic methods, you minimise human-error and reduce the amount of manual labour and data entry.

In addition, by deskilling complex tasks that would otherwise require more or higher paid workers, your business can recruit more easily and induct new starters in less time.



Maximum visibility and traceability

As well as making your business information more accurate and easier to access, an ERP or WMS solution provides enhanced visibility and traceability to all your data. Regardless of where in your company it comes from.

This enables you to make better informed and more profitable business decisions based on the most up-to-date reports, forecasting, stock evaluation, sales figures and customer activity.

You have the power to be the most forward-thinking when it comes to planned sales peaks and be prepared in the event of supply issues such as staff and stock shortages. By maximising the quality and quantity of available business intelligence you can identify new trends and opportunities and action them quicker.

Customer care and retention

With the most accurate stock control and maximum traceability on your goods, as a business, you can ensure you're delivering and exceeding your customers' expectations.

In today's market, customers want a straightforward buying experience whether it is online or in-store. Through integrated ERP and WMS, you can minimise the risk of overselling, faulty goods and delivery errors, while also monitoring your customers' buying behaviour.



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Integrate with your third parties

In addition to integrating all of your internal business data and workflows, with an end-to-end ERP and WMS solution, you have the functionality to integrate with your third-party suppliers.

This may be third-party ecommerce platforms, couriers or other marketplaces. The better your relationship with your third parties, the better you work together to deliver your customers the best service possible.

Third-party integration and automating data sharing between your providers can eliminate the risk of overselling online, running low on stock and delaying deliveries due to warehouse and supply chain inefficiencies. Particularly during a driver shortage, you must ensure you're working with the best couriers possible. For example:

"If we don't have a great relationship with our couriers, then we will struggle as a business. We promise next day delivery on 80% of our items, so the integration with the couriers has to be spot on. Luckily and thankfully, our OderWise ERP and WMS has always got the best updates to work with the couriers that we use."

James Lotts, General Manager of The Wright Buy.



HOW DO I KNOW IF AN ERP OR WMS IS RIGHT FOR MY BUSINESS?

When it comes to this type of software, there is no “one size fits all” solution. The right solution for your business entirely depends on its unique needs and challenges within such turbulent economy and marketplace.

Your system should be moulded to you, with just the functionality and capabilities you actually need with the scalability to grow as your business does.

It's not about guessing the future; it's about knowing what's coming and what your current situation is. With an integrated ERP and WMS solution, that is exactly what you'll be able to do and prepare your supply chain accordingly.



ORDERWISE

With over 30 years of experience helping businesses across various industries, OrderWise is proud to be a trusted, award-winning software provider of fully integrated ERP and WMS solutions for UK businesses. Offering a wide range of scalable, integrated, end-to-end solutions, we ensure our software shapes to your needs.

For more information about the best software fit for your business as well as the modules and functions available to you, please contact our highly experienced and friendly team today.

www.orderwise.co.uk | 01522 704083 | enquiries@orderwise.co.uk

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