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2023: The Year The Global Supply Chain Bounces Back

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Founder/CEO of Mercado Labs, Robert has 25 years of experience in tech solutions that improve end-to-end efficiencies in the supply chain.



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It's been said many times but bears repeating: The past few years exposed all of the vulnerabilities in the supply chain.

Factory shutdowns and pandemic lockdowns combined with trade wars, tariffs and invasions in Europe have created a "storm" so

brutal that many were wondering if the supply chain industry would ever be the same again. Supply-side fluctuations created chaos, with logistical issues—including shipping delays and port congestion—causing further mayhem.

Consumer demand has also been highly volatile. Rises in disposable income (in part due to Biden's stimulus checks coupled with a lack of typical spending on recreational activities such as going out to restaurants or shopping at retail outlets) throughout the pandemic led to a dramatic increase in consumer spending that left importers scrambling, only to rapidly shrink shortly after. Fast forward to 2023, and it now appears that we're heading toward a potential recession at a time when prices and the cost of living are high.

The Supply Chain Cloud Has A Silver Lining

Over the last three years, we've seen massive investments in supply chain technology. However, although many of the supply chain disasters were unavoidable, the current available tools made it nearly impossible for companies to recover. For example, retail giant Target [was left with a bloated inventory](#) that it then had to mark down to clear it out because products they bought during the pandemic when the market was hot had gone cold by the time they arrived months later. The consequences of these vulnerabilities made it into headlines and board rooms around the world.

In the [U.S.](#), [global trade represented over 23% of GDP in 2020](#). Yet, I'm continuously astounded that trillions of dollars worth of products are being managed and executed with tools from the 1980s, largely email and Excel.

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Awareness surrounding the criticality of the supply side of importing has been greatly accelerated by the issues that started at the beginning of 2020. Although businesses have long known the importance of the supply chain in keeping the global economy running, there's been a distinct lack of investment in what's sometimes referred to as the "first mile" (the initial 90 days from the point at which an order is placed with a supplier to when it's shipped), which has hugely impacted the outcome of products.

Few companies have got it "right." However, Zara is a great case study in showing how a technology-integrated supply chain can seamlessly move products from the point of sale to the designer and then to manufacturing and on to logistics with ease—and repeating the whole process over and over again. The retail giant turns its clothing designs around **every two weeks** compared to the industry standard of three to four months, producing outsized results and profit year after year.

Zara built its proprietary technology from the jump. However, most of its innovations are now available off the shelf—specifically, the ability to digitally connect its supply chain from planning to delivery. A digital, networked and automated supply chain is the foundation for step-level improvements. Connecting supply to demand is critical for a company to potentially take greater control of profits and sales, reduce the cost of purchasing and create visibility for sales throughout the process.

Relocation, Relocation, Relocation

Although historically it's been a "nice-to-have" luxury, technology is now imperative for every importer hoping to stay ahead of the curve. We saw the advantage of this on the customer experience side of the industry—exemplified by e-commerce platforms such as Amazon—and a shift toward complete visibility, supply chain integrations (between the planning, buying, moving and selling of products) and the ability to create networks such as marketplaces. The goal is to fully digitize the purchasing process, establish connectivity between internal teams, suppliers and partners and implement automation to reduce redundancies and minimize errors.

Although I'm not convinced that "nearshoring" is the silver bullet that it's been sold as in the media, I do believe that importers will relocate some of their production to up-and-coming manufacturing hubs in South-East Asia, such as Singapore and Sri Lanka, or South America, such as Mexico. Wherever they land, however, the need for supply-side technology will remain, both to increase overall resilience and prepare for future black swan events to come.

A Time For Change

The supply chain industry survived 2022 by doing whatever it took to get the products to their customers. Buying fluctuations during the pandemic drove peaks and troughs in supply, making it difficult to plan and manufacture goods, while port congestions and global container shortages drove similar issues in logistics. Importers were in complete survival mode, throwing money at problems just to ensure that their supply chains would keep moving and some vestige of products arrived on shelves for desperate consumers.

Many are viewing 2023 as the year of "correction of errors"—a chance to use first principles to redesign a supply chain that enables growth. The question that remains, however, is whether

businesses simply go back to their old ways and hope that they aren't disrupted the next time a global event occurs (and chances are, there will be another one) or they take this opportunity to build a supply chain that enables the ability to anticipate, avoid and thrive in a volatile environment.

To be clear, the coming 12 months are going to be full of challenges, but the best companies will take the opportunity to ensure their supply chain is ready. Yes, in hard times, they'll manage to survive, but in good times, they'll thrive.

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