Change in the Chain

“Change in the Chain” 2011 Survey of Asia-Pacific High-Tech Companies
Study Background

UPS recently sponsored “Change in the Chain,” a survey of high-tech companies in the Asia-Pacific (APAC) region in order to learn more about trends affecting our customers and to take the pulse of the high-tech industry. Following a similar study conducted in 2010 of U.S. technology companies, the 2011 study was conducted by IDC Manufacturing Insights*.

Goal
We wanted to measure the impact of industry changes and challenges on the high-tech supply chain and gain insight on future priorities.

Survey Respondents
248 supply chain professionals at high-tech companies in China, India, Malaysia, Thailand, the Philippines, Singapore, Australia, New Zealand and Japan completed the survey.

Industry Segments
The survey covered a wide range of high-tech segments, including semiconductor, consumer electronics and industrial electronics equipment.

248 Respondents

* Change in the Chain: Supply Chain Transformation in the Asia/Pacific High-Tech Industry, Document #MI230150
Key Findings

We know you’re busy, so we’ve extracted some of the study’s key findings and noted what the trends could mean for your company. If you’d like to see more of the detailed findings and download a PDF of the survey white paper, just click here.
Shift in sourcing and trade patterns

As costs mount in China, many high-tech companies are starting to look at alternate sourcing locations. Although China and Japan will continue to supply to most of our respondents, survey results show a significant shift of supply sourcing to both emerging and mature Asia-Pacific countries.

- Trading plans in the next 5 years show that more than half of the trade lanes used by high-tech companies will be primarily intra-Asian.
- While 16% of high-tech companies said they currently source from emerging APAC countries like the Philippines and Vietnam, 24% plan to source supplies from these countries in the next 3-5 years.
- 42% of survey respondents now source from mature APAC countries such as Thailand, Malaysia, Hong Kong and Singapore, and 50% indicate that they will source from these countries in 3-5 years.
- Interest also increased for potential future sourcing in South America and North America, with these two locations scoring the largest expected percentage increase, to rank #3 and #4 respectively among respondents.

There’s potential opportunity for U.S. companies: There is certainly reason for optimism among U.S.-based companies, as the survey anticipates growth in North American sourcing for customized designs and complex high-tech products. Whether your company is planning to increase exports or still looking to “go global,” UPS can help you penetrate new markets with ease and navigate the complexities of international trade. As the world’s largest customs broker, we speak the local customs clearance language everywhere.
New emphasis on customer service/satisfaction

Although cost management remains a high priority, high-tech companies are starting to increasingly compete on service. Companies are working to attain higher service levels, and responsiveness was cited as one of the top three drivers of change in the supply chain over the next 3-5 years.

- Achieving higher service levels is both the most frequent change made over the last two years (63%) and most anticipated for the next two years (67%).
- 19% of Asian companies reported that responsiveness will move into the foreground of supply chain logistics, ranking it just 2 percentage points below cost as the top issue driving change.

Service can be a competitive advantage: Asian high-tech companies clearly recognize that while competing on cost will continue, they also must be service-competitive. That means achieving high service levels (on-time delivery, order fulfillment, invoice accuracy) is increasingly top-of-mind for Asian supply chain professionals, who no longer want to be simply a low-cost provider. To remain competitive, high-tech companies everywhere must up their game on service. With our innovative technology, global network and logistics expertise, UPS can help your business become more responsive to meet changing customer needs and conditions in the marketplace.
Sustainability now top driver of change in Asia

Survey results show that greater environmental sustainability in the supply chain is a top priority for high-tech companies in Asia. For 24% of companies, sustainability was selected as the top initiative expected to drive change in the high-tech supply chain, outranking both cost and responsiveness.

- Projecting a better corporate image is the top driver for incorporating these greener practices, although many sustainability projects (like energy-saving and reduction of material costs) have been recast as cost-savings initiatives.
- A second driver for sustainability efforts, cited by 19% of Asian companies, is the belief that they will increasingly be mandated by customers.

In contrast, 36% of U.S. companies surveyed for the 2010 “Change in the Chain” study cited customer mandates as the primary motivation for engaging in greener practices.

- In the same 2010 survey, U.S. companies ranked sustainability as a lower priority, with only 19% identifying it as a top issue driving changes in their supply chain over the next 3-5 years.

Taking the “green” initiative can pay off: No matter what the driving factor, more high-tech companies around the globe are factoring sustainability into supply chain decisions. Consider how you can take initiative in sustainability by working with UPS, a leader in pursuing environmentally responsible practices. UPS offers a complete portfolio of products and services that benefit our customers and our planet. We make it easier to measure, manage and mitigate your climate impact and still stay productive.

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Risk management emerges as area for improvement

Although the recent earthquake and tsunami that devastated Japan’s East Coast in early 2011 concerned high-tech industry observers, most respondents reported only experiencing minimal disruptions. While the disasters increased awareness for better supply chain management, study findings indicate that many Asian companies have a long way to go in mastering risk management.
Risk management was identified as a weakness by 42% of respondents, ranking it as the #1 supply chain weak link. However, only 27% of companies plan to improve their supply chain resilience through better risk management in the future. Only 11% of companies now have resources or readiness to react fully in times of significant disruption.

**Weakness**

![Image of a chain with 42% highlighted]

Risk management was identified as a weakness by 42% of respondents, ranking it as the #1 supply chain weak link.

**Improvement**

![Image of a chain with 27% highlighted]

However, only 27% of companies plan to improve their supply chain resilience through better risk management in the future.

**Readiness**

![Image of a chain with 11% highlighted]

Only 11% of companies now have resources or readiness to react fully in times of significant disruption.

**Make your supply chain as bulletproof as possible:** Companies cite many challenges to implementing a risk management program—lack of in-house knowledge, sourcing limitations and complacency, to name a few. Our multi-modal global network, technology and distribution assets can help your company better manage these challenges so your supply chain can quickly adapt in an unpredictable world.
Reverse logistics
the next customer service advantage?

High-tech companies in Asia see the opportunity for reverse logistics to become an advantage for their businesses and their customers. In the future, they expect to strongly emphasize reverse logistics as part of their overall drive to improve customer service.

- While 39% of companies reported having made improvements to their reverse logistics process over the last two years, 46% will improve in the next two years. It’s interesting that in 2010, 46% of the U.S. high-tech companies surveyed also planned to make improvements in this area.

- Creating a positive customer experience (21%) and enhancing brand reputation (17%) were selected as the second and third greatest reasons respectively.

- Asian companies see reverse logistics as an area needing greater focus as compared to their U.S. counterparts: in 2010, only 19% of U.S. companies called it a weak link in the supply chain, compared to 24% of APAC companies.

Don’t overlook reverse logistics as a profitability driver: Asian companies clearly see the importance of reverse logistics from a customer service perspective, but also as a way to extract as much value as possible from their products. For both reasons, paying attention to your company’s reverse logistics can pay off handsomely.

With the broadest returns portfolio in the industry, UPS can help high-tech companies improve reverse logistics processes. Manage your return costs by controlling the destination and mode of return, while giving your customers convenient access for returns with more than 61,000 UPS access points in the U.S. alone.
A glimpse into the future

Besides an invaluable look at trends in Asian high-tech companies’ current supply chain management, the 2011 “Change in the Chain” study offers intriguing hints as to the future. A few additional findings to consider:

- **Respondents see business analytics/business intelligence as the most significant innovation for managing supply chains in the future.** This finding aligns with a recent trend toward the use of these technologies to make sense of the extensive data now available to companies. One component, visibility technologies, arose as a particular challenge, with 35% of respondents identifying end-to-end visibility as a top challenge.

- **Better upstream collaboration with suppliers is expected to be a “secret weapon.”** Asian high-tech companies saw this aspect of supply-chain management as most likely to contribute to future success. Survey respondents manage a high level of supply chain complexity, with supply and contract manufacturing frequently full partners in the business, including the design and manufacture of new products.

- **Reducing costs and improving margins are the top business priorities moving forward.** However, revenue growth through new markets and products will also be a focus. Overall, competition is intensifying in the region, as manufacturers grow more adept at managing their operations to drive productivity and efficiency.

### Look to a supply chain partner that’s investing now in the future.

UPS continues to improve our infrastructure with an eye to the future, investing approximately $1 billion each year on technology geared to make our customers’ and our own operations even more efficient and environmentally sustainable. The future can be a welcome prospect—if you work with a supply chain partner who’s anticipated the changes.

For more high-tech industry insights, visit thenewlogistics.com/technology.

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