

A low-angle photograph of two workers in white hard hats and high-visibility vests inspecting a tall stack of blue and red shipping containers. The worker on the left is wearing a grey shirt and a yellow safety vest, while the worker on the right is wearing a blue denim shirt and a yellow safety vest. The background is a clear blue sky. The image is framed by decorative vertical bars on the left (yellow and purple) and bottom (purple and yellow).

# 2023 Logistics Supply Chain Risk Report

WTW Global Supply Chain Survey

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### About the survey



**When:**

November-December 2022.



**Who:**

100 senior decision makers, including risk managers, supply chain and logistics managers and CEOs.



**Where:**

Countries across Europe, North America, Asia-Pacific and Latin America.



**Size:**

All companies surveyed had annual revenue over \$250 million.

Find full details of our sample and methodology on page 13. The survey contained all closed questions with different response options ranging from ranking questions and multi-select to single coded questions. In this report, we have included some of the findings from the survey. For the full results, including breakdowns by region and job role, please contact us using the details on page 15.



## Introduction

Without logistics most supply chains would grind to a halt, as the world discovered during the pandemic. As we emerge into more normal trading conditions, businesses across industry are looking to logistics providers to help them improve and optimize how they move and store goods between their supply chain nodes.

Meanwhile, logistics companies face their own supply chain challenges, including workforce problems, rising wage demands, global geopolitical and trade tensions, and pressure to decarbonize transportation.

### How are logistics businesses adapting?

To find out how the sector is navigating this changing landscape, we surveyed 100 risk and supply chain leaders, from freight forwarders to shipping lines, airfreight operators and trucking companies.

How do they see the supply chain landscape? How are they building resilience? What are the main challenges and risks they face? And what will the supply chains of the future look like?

## Five key findings

**63%** said losses related to the supply chain had been higher or much higher than expected over the last two years.

**85%** of businesses said they have made at least some improvements in their approach to supply chain management in response to the pandemic.

**77%** cited a lack of insurance solutions among the greatest challenges to addressing their risks over the next three to five years.

**89%** thought cyber risk had either a high or medium impact on their overall supply chain risks.

**25%** feel confident they have sufficient insurance to cover the impact of extreme weather on the supply chain.

## Market overview

# Overcoming the lasting impact of supply chain disruption

When logistics is running well, few of us question how it all works, or what would happen if the moving parts stopped working. That changed during the pandemic. The crisis exposed the mechanics behind the flow of goods and raw materials and how vulnerable it can be to external shocks.

This was underlined again by the Ever Given incident, when one massive containership blocking the Suez Canal was enough to throw a large proportion of global trade off track.

While freight rates are now falling and market conditions are easing, with an oversupply of shipping containers in many places, the industry is feeling lasting impacts from recent disruption. Driver shortages are still acute, especially in long haul trucking routes, as many drivers did not to return to work after the pandemic, or have gone home to fight in the Russia-Ukraine conflict.

Congestion continues at some ports, especially in the Middle East. Warehouses are full of stock built up in response to supply shortages, which is now slow to move because of falling consumer demand, adding further stress to the system.

## Improving supply chain management

These ongoing strains are evident in the results of our survey. Almost two-thirds (63%) of respondents said their losses related to supply chain risk were higher or much higher than expected over the last two years. More than a third (37%) agree or strongly agree that supply chain risks were building even before COVID-19.

However, disruption also appears to have been a wake-up call for the industry. The vast majority (85%) of logistics businesses have either made some improvements in their approach to supply chain management in response to the pandemic, or completely transformed their approach.

## Collaborating to reduce risks and losses

When asked about the greatest opportunities to improve supply chain management, improved strategic planning within their organization (58%) came top of the list, followed by increased collaboration with suppliers (55%) and customers (53%).

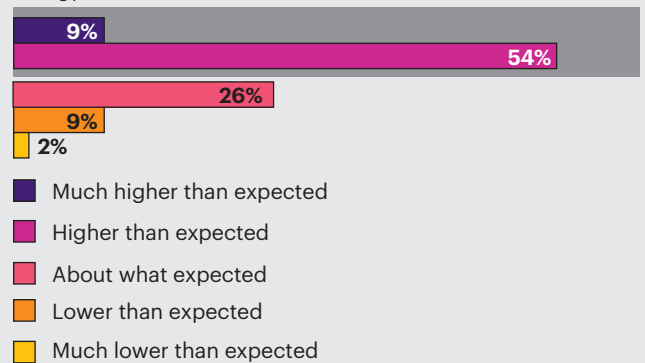
These results suggest logistics companies are increasingly looking at strategic partnerships to solve some of their problems, for example by sharing warehousing hubs with other firms to reduce costs and improve efficiency.

Figure 1: **Supply chain risk-related losses in the last two years**

0% 10% 20% 30% 40% 50% 60%

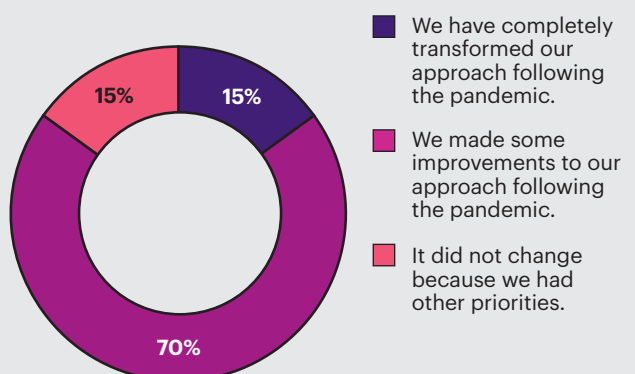
Top 2 box (Net):

Energy: 63%



Q: Which of the following best describes the extent of your business's supply chain risk-related losses in the last two years?

Figure 2: **Impact of COVID-19 on approach to supply chain management**



Q: Which of the following best describes what impact, if any, COVID-19 had on your organization's approach to supply chain management?

**\$9.6<sub>bn</sub>**

of global trade was held up each day during the Ever Given blockage of the Suez Canal<sup>1</sup>

Figure 3: **Greatest opportunities in terms of enhancing supply chain management**



**Q:** Which of the following offer the greatest opportunities in terms of enhancing your supply chain management?

Rank top 3

## Expert view: smart solutions are needed to solve long term challenges



“Economies of scale and greater efficiency in logistics has enabled the globalization of supply chains over the last 30 years. Moves towards larger ships and more efficient ports and transshipment hubs brought big reductions in the cost of transporting goods around the world.

Now, the cost differential is being undermined by factors such as rising fuel and labor costs. Growing political tensions and fears of further disruption are also pushing companies to near-shore or onshore production, with major consequences for their logistics partners.

Other long term challenges facing the industry include workforce problems. Many drivers have left the industry, dissatisfied with pay and working conditions, and no longer willing to work tough long nationwide and trans-continental routes.

Manufacturers and retailers need to decarbonize and are looking to their logistics partners to do some of the heavy lifting. While it’s not feasible to electrify large trucks or ships, the pressure is on to find ways to deliver carbon reductions or risk losing business.

One way to reduce costs and cut emissions is to increase efficient use of space and maximize utilization of trucks and containers. Some freight forwarding companies are joining up with competitors to share warehousing hubs, rather than owning warehouses in all locations, while also working to stop one-way journeys where vehicles are wagons return empty.

Using technologies such as robotics and internet of things (IoT) to monitor and track goods in transit will also help to increase efficiency and reduce risks and losses. This could extend through all buildings and warehouses in the logistics chain to give end-to-end transparency and accurate delivery times.”

**Mike George**  
Transportation Practice Leader, WTW

**Anthony Monaghan**  
GB Industry Transportation Leader, WTW



<sup>1</sup><https://www.bbc.co.uk/news/business-56559073>

## Risk landscape

# Ripple effect increases risk burden for logistics

Logistics is at the core of every industry's supply chain. That means the sector's risks are multiplied. From cyber-attacks to extreme weather, firms need to worry not only about their own operations, but also the knock-on impact on their customers and how it might rebound on them.

**Cyber risks:** in our survey, cyber risks were believed to have the most profound impact on supply chains, rated by 58% as medium and 31% high impact. Freight companies are sharing more data with partners and customers than ever before, while the number of parties in logistics chains, often using linked systems, means there are more potential weak links for cyber criminals to exploit. Because delays are costly for logistics companies and their customers, criminals may think they are more likely to pay to end a ransomware attack, making the industry a more attractive target.

**Climate and environment:** almost half (47%) of respondents placed climate change and environment among the top global trends affecting supply chain risks. As we've discussed, logistics firms are under a lot of pressure to help their clients meet their carbon reduction targets. Pressure is also coming from governments to reduce emissions from transport more generally. Climate impacts are also being felt in extreme weather events, which are increasing in frequency and pose a growing disruption risk.

**Increased product complexity:** topped the list of underlying factors playing the greatest role in supply chain risks, named by 35% as a top concern. This may reflect the challenges of transporting increasingly specialized and sensitive products and raw materials, such as in the life science sector, especially as clients demand more contractual indemnities against delay and damage.





**Economic risks:** economic uncertainty emerged as the second leading factor underlying supply chain risks, ranked by 30% among their top concerns. The sector is at risk from price and wage rises, volatile fuel and energy costs and falling consumer demand. If inflation dips back to near normal levels by the end of 2023, it could ease some of these pressures.

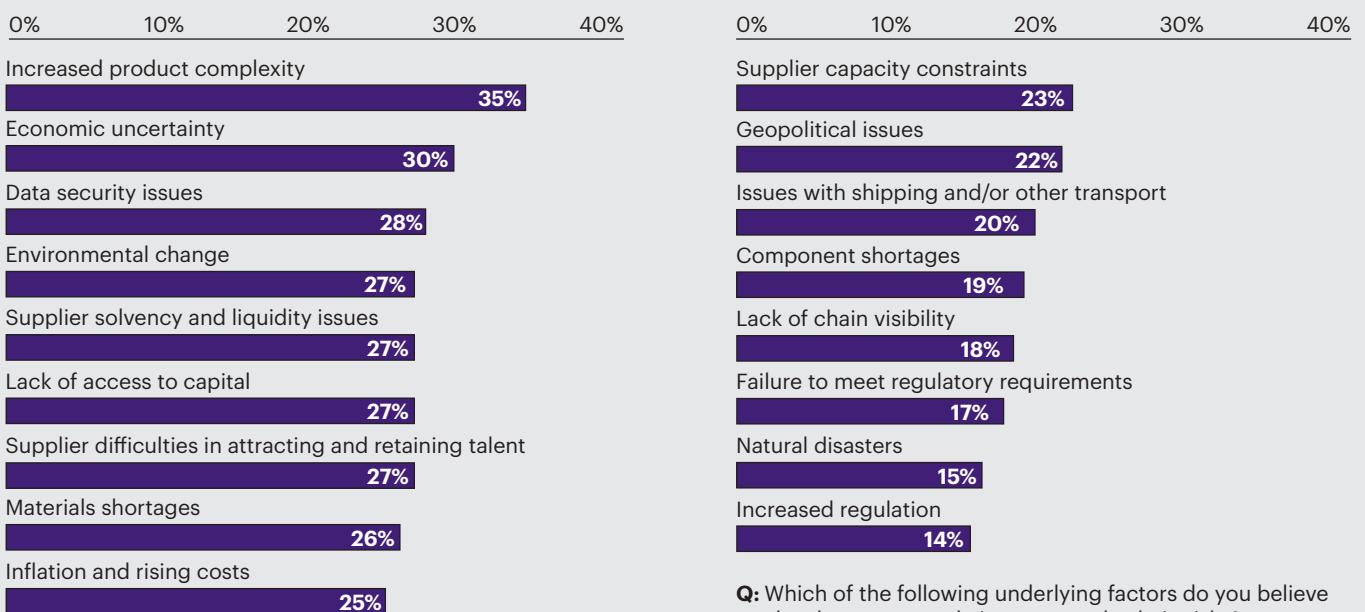
**Geopolitical risk:** was among the factors thought to have the greatest impact on supply chain risks, rated by 54% as medium and 29% high impact. The conflict in Ukraine has disrupted some road and rail routes between Asia and Europe, while simmering tensions in the China Sea could put cause problems for more global routes in the future. We're also seeing more claims against

logistics firms for customs errors because of complex documentation requirements post-Brexit.

**Onshoring:** 48% of respondents said onshoring and near-shoring were among the top global trends affecting their supply chain risks. As more products are sourced and manufactured closer to home, there will be fewer goods being transported around the world, which will impact demand for logistics services.

**Pandemics:** though we may be past the acute disruptive impacts of COVID-19, the risk of a new strain of the virus, or a new unforeseen pandemic, seems to be still front of mind, topping the list of global trends with the greatest influence on supply chain risks at 56%.

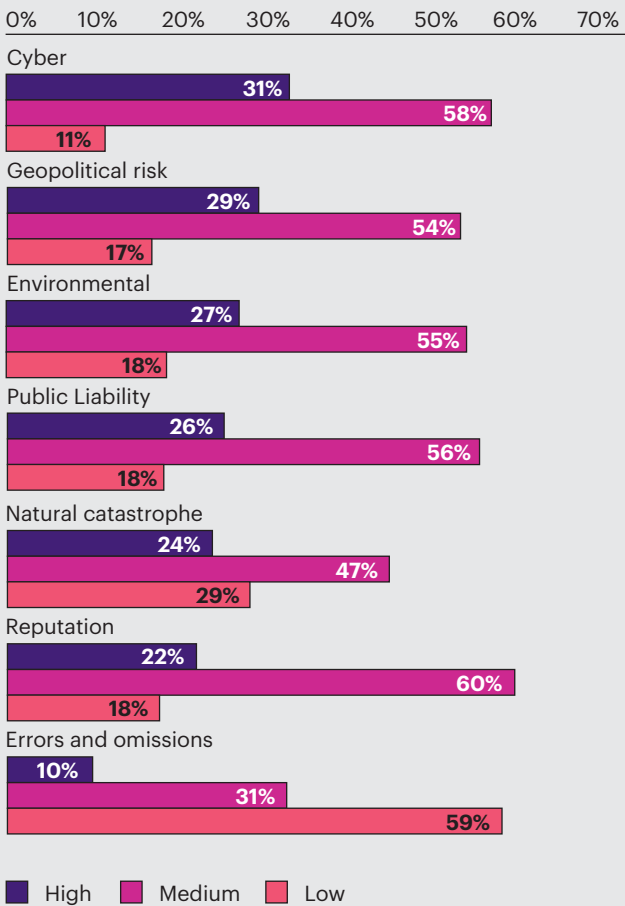
Figure 4: Factors playing greatest role in supply chain risks



**Q:** Which of the following underlying factors do you believe to play the greatest role in your supply chain risks?

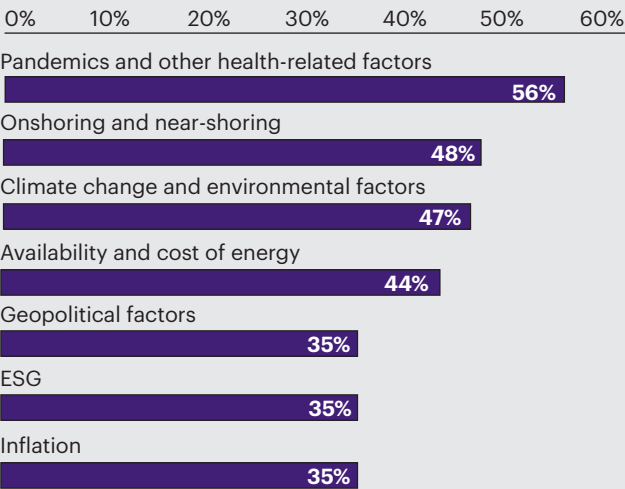
Rank top 4

Figure 5: Potential impact of the following risks on the supply chain



Q: How would you describe the potential impact of the following risks on the supply chain risks faced by your organization?

Figure 6: Global trends with greatest influence on supply chain risks



Q: Which of the following global trends do you believe have the greatest influence on your organization's supply chain risk?

Rank top 3





## Risk management and resilience

# Balancing need for resilience with rising customer demands

The weight of responsibility is getting heavier for logistics companies.

Businesses across industry are looking to them to help solve their supply chain challenges, from reducing cost to cutting greenhouse gas emissions.

Some clients are also seeking to reduce their supply chain risks by imposing tougher terms in contracts with logistics providers — for example, penalising freight companies for delays, which are often caused by events outside out of their control.

All of this is making it more challenging to manage risks and build resilience against possible future disruption shocks.

### Taking action to improve robustness

However, despite these headwinds, our survey suggests logistics businesses are taking action to address their vulnerabilities and seeing some positive results.

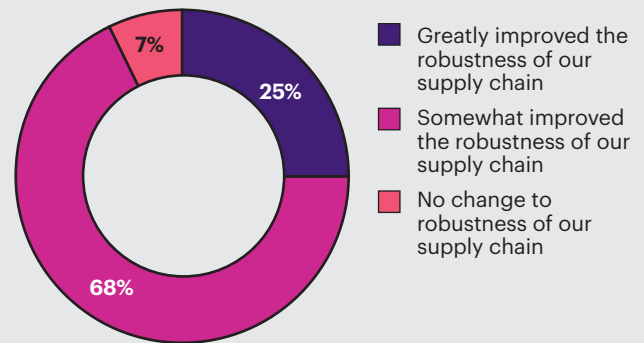
More than two thirds (68%) say the investments they've already made to improve resilience have somewhat improved the robustness of their supply chain, while 25% said robustness has greatly improved as a result. Almost 6 in 10 (59%) say they plan to make significant changes in the next 12 months.

A total of 40% named digital transformation and 35% more sophisticated modelling among their greatest opportunities to improve supply chain management. Many companies are adopting new tracking and monitoring technologies to enhance transparency through the logistics chain, and looking to automate warehousing operations to improve efficiency.

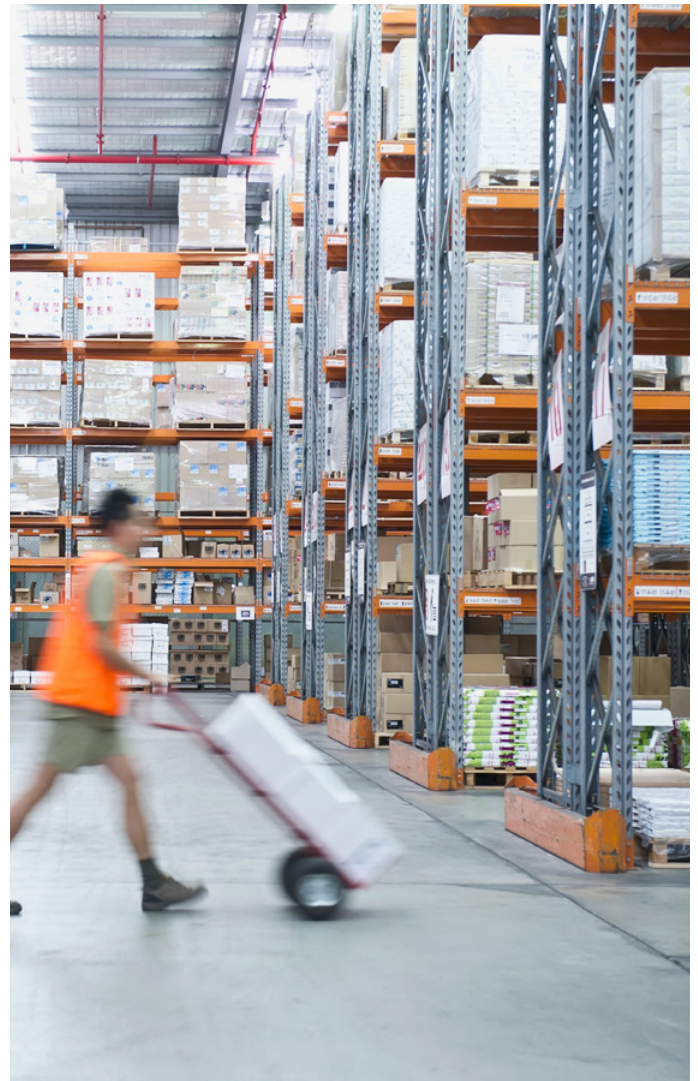
### Lack of insurance is an obstacle

More than three-quarters (77%) of our respondents said a lack of insurance solutions was among the greatest challenges to addressing their supply chain risks. This reflects the difficulty of finding cover for the increasing burden of commercial risks we've discussed, and may also reflect the lack of cover for many supply chain losses experienced during the pandemic.

Figure 7: Impact of previous investment to improve robustness in supply chain



Q: How would you describe the impact of any previous investment you have made in improving the robustness of your supply chain?



Only a quarter (25%) feel confident they have sufficient insurance to cover the impact of extreme weather on their supply chain. This is concerning given the sector's exposure to weather events.

### Greater visibility is a priority

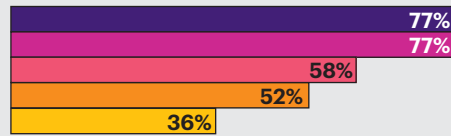
Businesses face considerable obstacles getting hold of all the data they need to achieve full visibility. More than three-quarters (77%) said they lacked the data and knowledge to understand their risks. While 72% said they had identified the data they need to have, only 9% had robust processes to gather it.

Using tools to map the logistics chain can help businesses start to understand where the information gaps are and begin to fill them. A total of 38% said using supply chain mapping software was among the measures that would have an impact in managing risks.



Figure 8: **Greatest challenge to addressing risks over next 3-5 years**

0% 20% 40% 60% 80% 100%

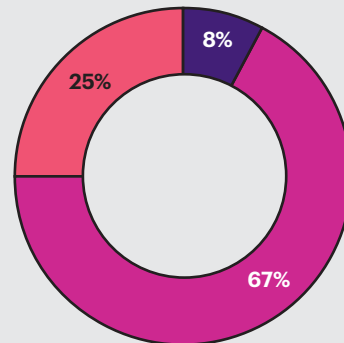


- Lack of access to insurance and risk transfer solutions
- Lack of data, knowledge and understanding of these risks
- Lack of internal risk management tools and insight
- Lack of budget
- Lack of board buy-in

**Q:** Which of the following will pose the greatest challenge to addressing your risks over the next 3 to 5 years?

Rank top 3

Figure 9: **Insurance for impact of extreme weather events**



- Adverse weather somewhere in our supply chain could have a serious financial impact on our business and we have no insurance for this
- We have some cover for extreme weather events somewhere in our supply chain, but not sure if it is sufficient
- We have cover that ensures extreme weather somewhere in our supply chain would not have a serious impact on our business/financial results

**Q:** What best describes your insurance for the impact of extreme weather events somewhere in your supply chain?

## Expert view: tight contract management essential to reduce financial risks



“Where once logistics companies were just expected to transport goods, now they’re being asked to take on large financial and contractual responsibilities.

Companies in many sectors are seeking to de-risk their supply chains by loading more of the risk onto their logistics partners, demanding stronger guarantees and indemnities in contracts.

In some cases, contracts stipulate penalties for every minute of delay, even where the provider has no control over the cause of those delays, such as a port blockage. Logistics firms can also be contractually responsible for consequential losses and damages.

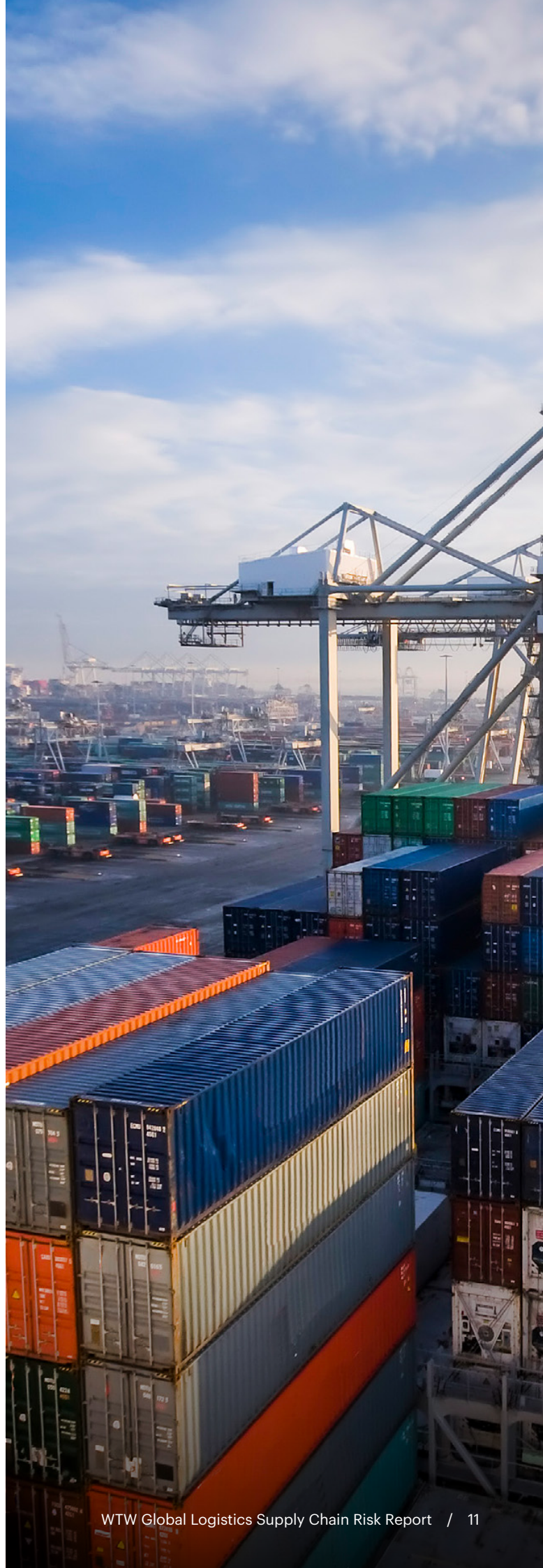
Many of these non-damage commercial risks are not insurable, leaving firms highly exposed to potential losses. With margins tight, one loss could be enough to wipe out the profit in a logistics contract.

To mitigate these risks, firms need to practice tight contractual risk management. That means not accepting risks which can’t be transferred or retain at a comfortable level, while trying to find middle ground of what’s acceptable to both parties. Any contracting philosophy should be integrated with governance, with board level oversight.

This will make such business more attractive to insurers, who may be more willing to consider policy extensions or bespoke cover for some commercial risks. Where this is possible, businesses need to carefully balance the cost of that cover against the potential losses.

If the balance is positive, transferring the risk could make taking on such a contract viable. If not, it may be more advisable to retain the risk yourself or, in some cases, take a cost-benefit decision to decline the business rather than take on excessive risk.”

**Breda Keating**  
Director, Global Marine, International Trade  
and Logistics, WTW



# Conclusion: Squaring the logistics circle

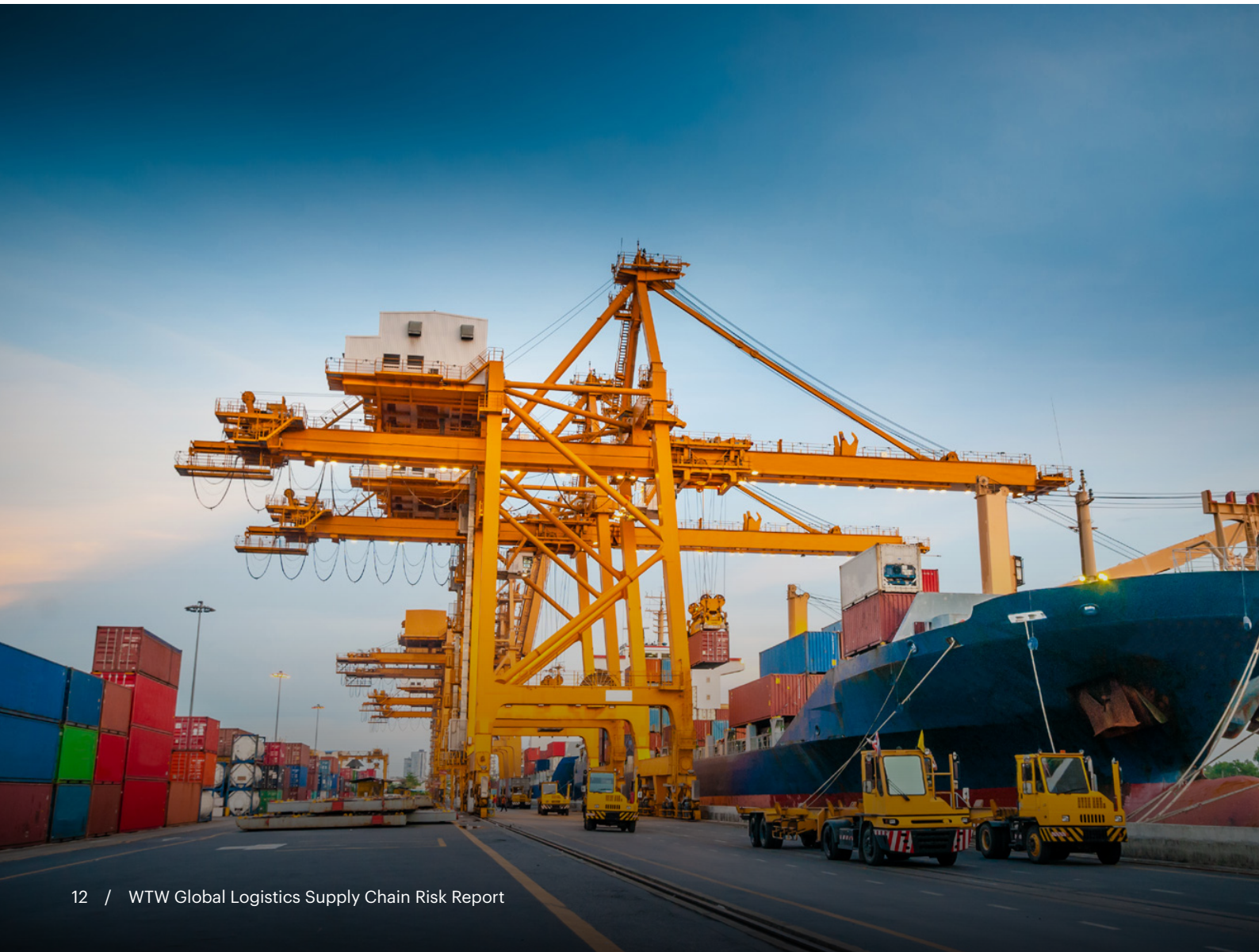
Logistics companies see supply chain risk from all angles. They need to manage not only their own risks but those of the companies they work for. That's not an easy balance to strike.

These challenges look set to grow as the risk of supply chain disruption stays high and customers demand more in service delivery, sustainability and contractual obligations. Wider external factors, from geopolitics to cyber security increase the need for careful risk management.

Our survey shows that businesses are working to overcome problems and considering a range of strategies to increase resilience. But they're hampered by a lack of appropriate insurance solutions and difficulty getting hold of enough accurate data to manage their risks.

Working more closely with customers and partners can help companies understand their supply chains better and address these risks. Diagnostic mapping and monitoring tools and analytics can help to visualize, quantify and assess risks across the chain and in specific locations.

WTW has an experienced team of experts with the tools and competencies to help clients understand their supply chain vulnerabilities and align their operations to reduce financial risk. We can also help you manage and transfer risks for both property-related and pure economic losses, helping you build greater reliance against future shocks.



# Survey sample and methodology

Our survey was carried out by our partner Coleman Parkes research in November and December 2022, using a mixture of phone interviews and web-based survey forms. We received 100 responses from senior decision makers in the logistics sector, based in Europe, North America, Asia-Pacific and Latin America.

## Study detail

### Methodology

Phone to web

### Sample size

100 Total:

- North America (35)
- Europe (17)
- APAC (25)
- LATAM (23)

### Audience profile

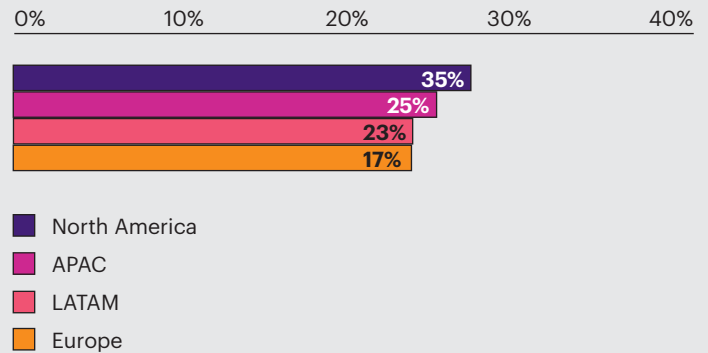
Senior decision makers of supply chain risk management in logistics companies with over \$250 million annual revenues

### Fieldwork dates

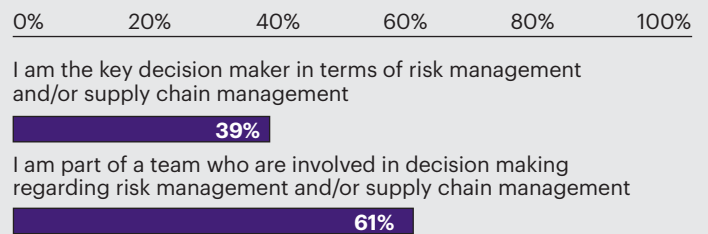
November - December 2022

## Audience profile

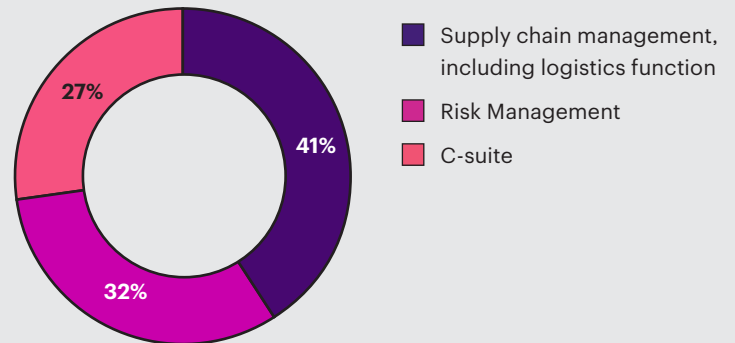
### Geography



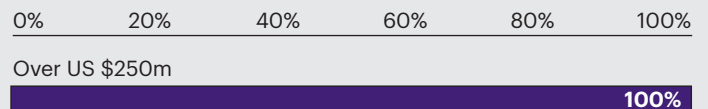
### Decision-making



### Role



### Company revenue





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