

Building Opportunities

for New Zealand Suppliers in the Major Supply Chain Market

SUMMARY OF MAIN FINDINGS

PREPARED FOR ICN NEW ZEALAND AND NEW ZEALAND TRADE AND ENTERPRISE
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1 Value in Building Opportunities

This 2011 research for ICN New Zealand and New Zealand Trade and Enterprise (NZTE) has identified:

- Significant potential to improve the share of work that New Zealand firms win from major supply chains in New Zealand.
- That major supply chains will benefit from actions to improve the ability of New Zealand suppliers to engage with major supply chains based on:
 1. Improved capabilities to meet major supply chain requirements.
 2. A better understanding of the performance expectations of major supply chains.

Building opportunities for New Zealand firms to work with major supply chains will deliver value to major supply chains and create economic and growth benefits for New Zealand suppliers.

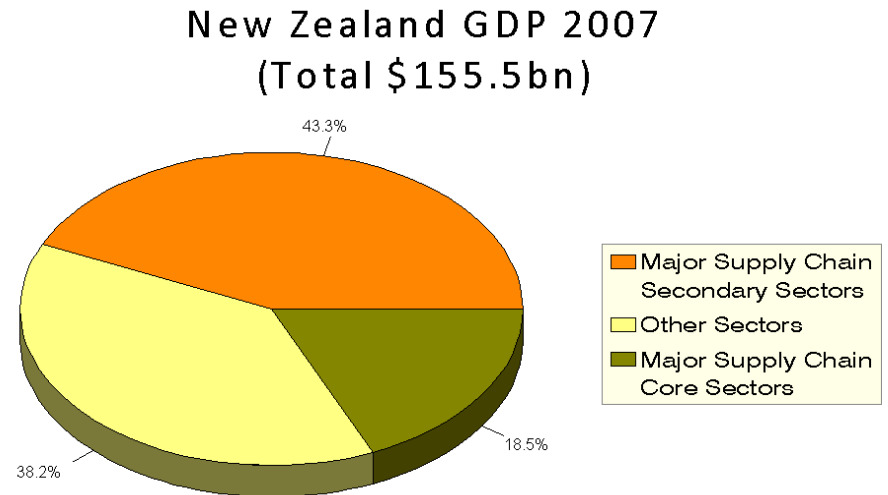
Based on extensive indepth research with 42 major supply chain decision makers (covering government, defence, oil and gas, energy and resources, major projects and manufacturing) and 45 suppliers to these major supply chains, the results provide information to help suppliers and buyers build new opportunities.

2 Global and Major Supply Chains

Industry sectors dominated by global (international) and major (large New Zealand) supply chains contributed 18.5% to GDP in New Zealand in 2007 (*National Accounts, Statistics New Zealand*) and other sectors where these chains play an important role contributed a further 43.3% to GDP.

When combined, these primary and secondary sectors influenced by major supply chains accounted for 61.8% of New Zealand GDP in 2007.

Major supply chains surveyed reported that they purchased an average of 62.8% of procurement requirements from New Zealand firms. However this ranged from a low of 10% to a high of 90% depending on the type of project or supply chain.



Source: New Zealand Statistics, http://www.stats.govt.nz/browse_for_stats/economic_indicators/NationalAccounts/NationalAccounts_HOTPyEMar10/Tables.aspx

3 Global and Major Supply Chains

While each major supply chain has its own particular focus, values and individual characteristics, these chains also have some common characteristics:

- **Risk minimisation** – Major supply chains seek to minimise risk in either the construction or operation of projects or supply arrangements.
- **Reducing suppliers** – Major supply chains seek to minimise the number of suppliers they deal with.
- **Driven by relationships** – While major supply chains use tendering (open or select) to identify supply partners, this open and transparent approach to costing is also supported by strong relationships. Major supply chains value working with good performing suppliers, as long as they remain competitive in terms of delivering value and timeliness.
- **Increasing pressure on major supply chains** – In the sectors where major supply chains operate, there are pressures on costs, delivery times and efficiency demands. In a dynamic market environment, and with constraints on government delivery of projects and services, there is increasing demand on major supply chains to deliver quickly, efficiently and productively to meet expectations.
- **Global supply behaviour** – Major supply chains operate in a global market and some supply chains are seeking to increase this globalisation of supply.

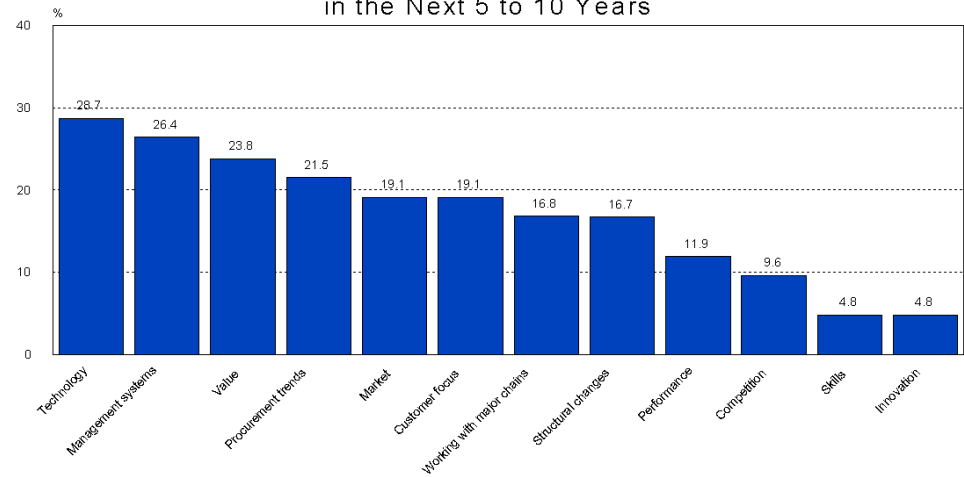
To be successful in this market, suppliers need a good understanding of:

- The dynamics of major supply chains and how they operate.
- The values that drive particular major supply chains.
- The expectations and goals of major supply chains.

These chains choose suppliers who can meet their performance requirements – quality products and services, responsive delivery and reliability.

Now and in the future, global and major supply chains want their supply chain partners to focus on good management systems, increased uptake of technology (for productivity and efficiency), delivering value (competitiveness and value adding) and responding to changes like centralised procurement. A stronger customer focus and being responsive to market changes will also be important.

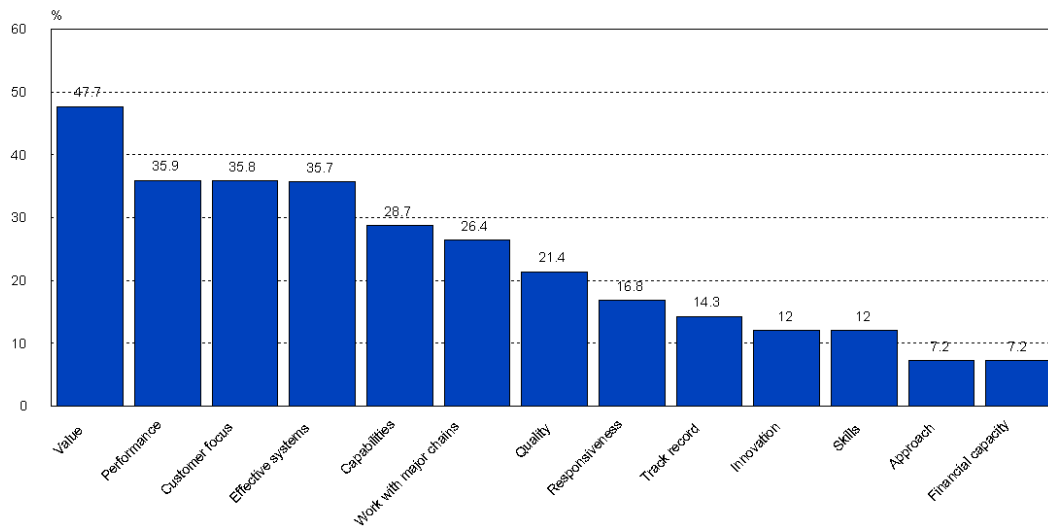
Trends, Changes or Opportunities Influencing Global Supply Chains in the Next 5 to 10 Years



4 Successful Suppliers

Leading New Zealand suppliers can compete effectively in international markets and are successful in the major supply chain market. This top tier of suppliers has invested in systems, product innovation and capabilities that make them successful partners in major supply chains.

Qualities of Successful New Zealand Suppliers



Successful suppliers reported an average of 68.9% of their revenue from major supply chains and were well established in these markets.

5 Building Capabilities in the Wider Supply Base

Below this top tier of lead suppliers are firms that have the potential to expand and win more work from major supply chains, and smaller firms who, with improved capabilities, can play an important support role in major supply chains.

Major supply chains report that, based on their experience with the broad range of suppliers in New Zealand, suppliers **need to improve** in these areas:

- Ability to work effectively with major supply chains (40.8%).
- Competitiveness and value (26.3%).
- Customer focus (24.0%).
- Range of capabilities provided (24.0%).
- Approach and communication (23.9%).
- Management systems including quality, risk, safety and environmental systems (21.5%).
- Skills (21.5%).
- Performance (12.0%).
- Responsiveness (9.5%).
- Successful track record (7.2%).
- Financial capacity to undertake work (7.2%).
- Quality (4.8%).
- Innovation (4.8%).

There were also challenges - 86.7% of suppliers surveyed reported challenges or problems when working with major supply chains. These **challenges** included:

- Competition to secure work with major supply chains (28.7%).

- Challenges in working with major supply chains (21.5%).
- Having the capabilities to meet the expectations of major supply chains (12.0%).
- Relationship issues (7.2%).
- Factors affecting performance (7.2%).
- Communication (7.1%).
- Engagement with the client (4.8%).

These experiences illustrate that while many New Zealand suppliers are successfully supplying to major supply chains, there is room to improve the experience for both suppliers and major supply chains.

6 Opportunities

The main opportunity identified by major supply chains to increase the share of work won by New Zealand suppliers was to be proactive in understanding major supply chain needs and respond to those needs.

Buyers also identified a range of specific opportunities:

Construction/ Infrastructure

- Civil construction.
- Landscaping services.
- Fabrication.
- Labour supply and equipment hire.
- Adaptation of products from one sector to another e.g. bus to rail.
- Project opportunities in the Pacific.

Oil and Gas, Mining, Energy

- Local customisation or support for specialist equipment.
- Import substitution for some equipment that can be configured or manufactured in New Zealand.
- Structural and non structural metal products for repair and replacement of existing items and components.

- Fabrication of structures – can be significant on some projects but could be minor fabrication on other projects.
- Local support for technical services including electrical and mechanical services.
- Maintenance and through life support. Wide range of maintenance services.
- Cross industry applications – marine fibre composites to geo thermal, stainless steel tanks from dairy to other applications.
- Engineering components and support.
- Engineering clusters to bid on larger packages of work.
- Wind projects - fabrication of towers and structures, blades and turbines.
- Instrumentation.

Defence

- Technology based solutions across a wide range of defence applications.
- Fabrication and engineering on major defence projects and equipment.
- Supply of components and non-specialised materials.
- Uniforms design and manufacture (locally or overseas).
- Fitout and furniture.
- Office and other consumables.

Health

- Local agency support for internationally supplied equipment and health technologies.
- Digital theatre equipment.
- Information technology applications that manage, assemble and analyse data for specialised and local health systems e.g. image routing and digitising health data and images, wireless communication.
- Beds, furniture and fitout.
- Mechanical items and equipment in the health market (excluding high end technology).
- Bariatric equipment – larger patients, heavier duty equipment.
- Medical consumables for which local manufacturers can produce a quality substitute.
- Construction of new health facilities.
- Recycling health equipment to other health users when discarded.

Information Technology

- Specialised or niche information technology applications – requiring specialised solutions.
- Cloud computing applications, or support for use of cloud computing.
- Agency for local supply of hardware and equipment.
- Sustainability focus in equipment provided.
- Maintenance and support solutions for hardware and software.
- Mobile and spatial data and demand management solutions – efficient supply or support to different locations in New Zealand.
- Geo spatial IT applications.
- Regional broadband opportunities.
- IT suppliers networking with science organisations to deliver synergies and benefits.
- Offer base and innovation options for IT solutions.

Other Government Departments and Agencies including Local Government

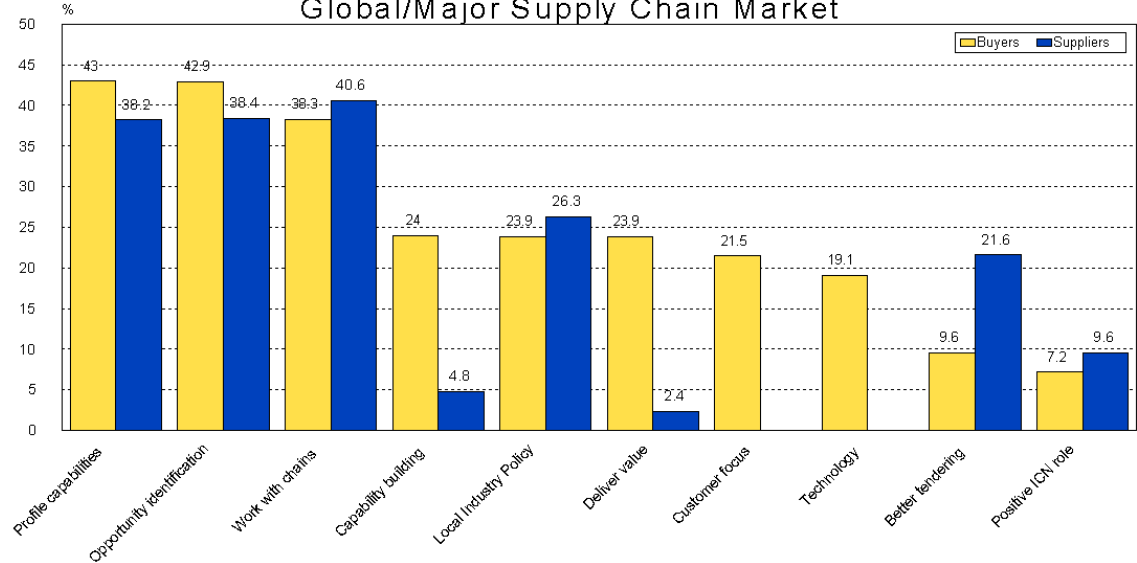
- Wide range of consumables.
- Uniforms and clothing.
- Automotive and vehicle support.
- Building construction, fitout and maintenance.
- Sustainability focus in equipment and furniture supplied.
- Specialist services that, provided locally, deliver benefits to local government.

6 Accessing Opportunities

NZTE and ICN New Zealand will continue to work with New Zealand suppliers to build opportunities for suppliers to global and major supply chains.

Suppliers and major supply chain decision makers were asked to suggest strategies that could increase the share of work won by New Zealand suppliers.

Opportunities to Increase New Zealand Firms' Share of the Global/Major Supply Chain Market



Based on the range of information provided during the study, the main recommendations are to:

1. Introduce a **local industry policy for New Zealand** that encourages full, fair and reasonable consideration of New Zealand suppliers for major projects and procurement programs.
This includes assisting firms to build their capabilities to work with and win work from global and major supply chain expectation.
2. Profiling **opportunities** with major and global supply chains.
3. **Profile the capabilities** of New Zealand suppliers.
4. Continue the **Industry Capability Network's lead role** of facilitating opportunities for local suppliers to supply multinationals, major project owners, and major local companies and act as an industry conduit to Government.