Dawson Consulting
Supply Chain Salary Survey – January 2006

'Supply Chain sector salaries more than double CPI'

Overview and Commentary

This "Dawson Consulting Supply Chain Salary Survey" covers the 6-month period between July and December 2005.

In our last Salary Survey (June 2005), we predicted that the upward salary movement in the supply chain sector "has far from bottomed out" and that we expected "to be reporting a new annual increase record". We were partly right. Salary growth records were not broken, but overall salary levels continued to grow at a marginally slower rate. That is, an overall 3.25% increase in the last six months, compared to a 4% increase in the previous six months.

Accounting for the full calendar year, salaries in this sector are currently running at more than double the Consumer Price Index in Australia. This has been the case for 3 years now.

This underscores the very real supply chain skills shortage we have reported for a number of years. Compounding this shortage is the heightened demand from organisations to transform their supply chains and achieve significant efficiency uplifts - not just incremental improvement. This places a demand on the skill sets that are just not there in either sufficient quantity, or in sufficient depth of knowledge and experience.

Getting good people to deliver supply chain initiatives and the related outcomes has never been tougher. And of course, it is even tougher as soon as you step away from the Sydney, Melbourne and Brisbane business centres. We have recorded above average salary increases (generally from a lower base) in Perth, Adelaide and North Queensland where the supply of required competencies and capabilities is tighter still.

Greater investment in training and development is the longer-term solution to establishing a bigger skill set pool. However, this cannot provide an overnight solution and, in reality, the sector has done little to promote career opportunities in the supply chain industry. The type and scale of salaries that are emerging will clearly begin to attract the sort of interest that would not have been there five years ago in the marketplace.

Whilst the sector bears the legacy of a logistics and transport bias, the supply chain discipline is now carrying greater clout at the Board table. Most supply chain functions have become significantly more scientific and automated. Having said that, nothing can take away from the practical element, where 'doers' stand out. If the level of supply chain thinking has lifted, (largely the result of incorporating initiatives that have been tried and tested overseas e.g. factory gate supply), the level of supply chain delivery has faltered in comparison. Less than effective outcomes are undermining sound strategic thinking, as organisations struggle to understand the Australian conditions and implications and fail to fully account for them in their implementations. As has been manifestly demonstrated in the last four Salary Surveys, the really outstanding 'practitioners' and the 'operators' are in short supply.

Looking forward, we predict a continued demand and supply imbalance that will further drive salaries upwards at a higher rate than CPI for at least the next 18 months. We also note the growing focus of Six Sigma or similar approaches to support services including logistics, transport and supply chain. The gap between the setting of specific targets and achieving acceptable outcomes in such initiatives is significant for all the reasons outlined so far. Add to that the paucity of practitioners that have been truly exposed to such projects in supply chain, and the level of concern about good outcomes grows even greater.

There is a real 'watch out' for organisations that charge down this track without ensuring they have the 'tacit' knowledge and skills to deliver.

Specific Survey Findings

The average salary increase in the last 6 months in the supply chain sector is up again in the region of 3% to 3.25%. Taken over a 12 month period, this represents a greater than CPI movement of between 7% to 7.75%, marginally lower than the previous 12 month cycle. Of all the positions surveyed (36) only 5 remained stable in the last six months – all of the rest lifted by some degree.

The greatest increase in the last 12 months was recorded by Inventory Managers (13%). A number of other categories recorded increases of between 8% and 9%, including Supply Chain Directors, National Logistics Managers, 3PL Managing Directors and Warehouse Supervisors. (see "Big Winners in Calendar 2005" below)

Some of the key findings of this survey are as follows:

- this is the fourth consecutive survey (reflecting a 2 year cycle) that shows either, upward salary movements or 'no change' from the last survey. Once again, there are no recorded downward salary movements.

- senior management has led the upward charge followed closely by operational management and supervisory positions. Once again, this survey shows that salaries for 'doers' such as Inventory Managers, Transport and Warehouse operatives are buoyant.

- the only 'stable' salary positions this time included surprisingly, Demand Chain Planning Manager and General Manager – Supply Chain, which somewhat bucks the trend.

- as reported in our last two surveys, we expected an uplift in 3PL Account or Contract Managers as well as 3PL Sales and Business Development roles. This has occurred with healthy six-month increases of between 3% and 4% recorded.

Principal movements in Total Salary Packages (as compared with the last survey compiled in January – June 2005 inclusive) are:

<u>Internal/In-House Supply Chain Management</u>

National Logistics Manager	**UP** between 4 and 6%
Inventory Manager	**UP** between 3 and 6%
State Logistics Manager	**UP** between 4 and 5%
Supply Chain Director	**UP** between 2 and 5%
Chief Supply Chain Officer (CSO)	UP 5%

<u>Logistics Service Providers</u>

Sales/Business Development Manager	**UP** 4%
Fleet Operator	**UP** 4%
Logistics Analyst	**UP** 4%
General Manager	**UP** between 3 and 4%
State Manager	**UP** between 3 and 4%

Significant movements in Total Salary Packages in the 12 months of Calendar 2005 were:

"Big Winners in Calendar 2005" - largest average increases in 2005

Inventory Managers	**UP** 13%
Supply Chain Directors	**UP** 9%
National Logistics Manager	**UP** 9%
State Logistics Managers	**UP** 9%
3PL State Managers	**UP** 9%
3PL Account/Contract Manager	**UP** 9%
3PL Managing Directors	**UP** 9%
Warehouse Supervisor	**UP** 9%
Logistics Analysts	**UP** 8%
3PL General Managers	**UP** 8%
3PL Multi User Facility Manager	**UP** 8%
3PL Fleet Operator	**UP** 8%

"Big Losers in Calendar 2005"

There were no recorded decreases in any of the salary brackets in Calendar 2005. The only positions to remain stable throughout the 12 month cycle was;

Internal/In-House Supply Chain Management

none

Logistics Service Providers

Asset Manager

The Dawson Consulting Supply Chain Salary Survey (December 2005) established the following salary packages;

Internal/In-House Supply Chain Management – Total Salary Packages (including vehicle, 'performance' bonus and superannuation)

Position	Total Package Band	Movement in 6 months
Chief Supply Chain Officer (CSO)	$290-$380K	lowerband **UP** 5%
Supply Chain Director	$220-$275K	**UP** between 2 and 5%
General Manager – Supply Chain	$190-$225K	stable
National Logistics Manager	$125-$165K	**UP** between 4 and 6%
State Logistics Manager	$105-$130K	**UP** between 4 and 5%
IT/IS SCM National Manager	$125-$160K	lowerband **UP** 4%
Procurement Manager	$120-$150K	lowerband **UP** 4%
Demand Chain Planning Manager	$100-$123K	stable
Distribution Centre Manager	$95-$115K	lowerband **UP** 2%
DCM Assistant Manager	$75-$95K	**UP** between 2 and 4%
DCM Supervisor	$48-$62K	stable
Warehouse Manager	$62-$85K	lowerband **UP** 3%
Warehouse Supervisor	$35-$53K	**UP** between 2 and 3%
Inventory Manager	$55-$77K	**UP** between 3 and 6%
Traffic Operator/Scheduler	$33-$53K	**UP** 3%
Logistics Analyst	$52-$73K	**UP** 4%
Trainee Manager	$32-$40K	lowerband **UP** 3%

Logistics Service Providers – Total Salary Packages (including vehicle, 'performance' bonus and superannuation)

Position	Total Package Band	Movement in 6 months
Managing Director	$175-$225K	**UP** between 2 and 3%
General Manager	$145-$165K	**UP** between 3 and 4%
State Manager	$118-$145K	**UP** between 3 and 4%
IT/IS Manager	$108-$130K	lowerband **UP** 1%
Sales/Business Development Manager	$85-$110K	lowerband **UP** 4%
Sales Executive	$64-$90K	**UP** 3%
Operations Manager - National	$109-$130K	**UP** 2%
Operations Manager - State	$79-$95K	lowerband **UP** 3%
Multi User Facility Manager	$100-$118K	**UP** 3%
Warehouse Manager	$68-$88K	**UP** 2%
Fleet Operator	$54-$68K	**UP** 4%

Traffic Operator/Scheduler	$40-$49K	upperband **UP** 3%
Asset Manager	$65-$85K	stable
Workshop Manager	$52-$68K	stable
National Account Manager	$78-$95K	lowerband **UP** 2%
Account/Contract Manager	$70-$88K	**UP** 3%
Contract Supervisor	$50-$70K	**UP** between 2 and 3%
Logistics Analyst	$46-$58K	**UP** 4%
Trainee Manager	$32-$40K	lowerband **UP** 3%