

INDUSTRY TALK

with



Dealing with Supply Chain Issues, Post Covid

Currently, our economy is facing one of the most significant challenges in our nation. Over the last 100 years, the global economies have faced many challenges; The Great Depression, World War II, the Oil Embargo of the 70's, the financial crisis of early 2000's, and now the consequences of the COVID Pandemic. Fortunately, the world economies have rebounded time and again from these economic rollercoasters and it will again. It is important to note that most cases, the global recoveries have been tied to the success of the United States and this will most likely be the case again.

It is easy to say the current supply chain issue is tied to the COVID Pandemic; however, it is more complicated. In the long run, it leads directly to the continuing indecision by the world governments and their inadequate responses to the crisis. Currently, China's extreme quarantines have directly affected the world supply chain and thus, inflation. This is just another reminder that the world economy, especially the U.S. economy, has become overly dependent on offshore manufacturing and materials. The U.S. Government in particular has struggled with this issue from its inability or unwillingness to unload cargo ships in a timely manner, transportation shortages (lack of truck drivers), as well as, sky rocketing transportation cost. Also, the Federal and State governments have compounded the problem with constant changes in mandates for masks, quarantines and vaccines. This affects worker participation, as well as, the government flooding the economy with money encouraging much of the work force to stay at home. The motives behind these ever changing efforts are not always clear, however, it is clear they contributed significantly to damaging manufacturers and suppliers ability to meet the demands of the market place and bolstering inflation.

So the question is how do we navigate this current issue and move forward? Most, if not all of these recommendations are currently being used, however, it is always a good thing to review better practices to be sure productive paths are being taken:

1. Look at current inventory to assess the ability to meet current and short term requirements. Determine the most important items (ex. popular part numbers) and how to maintain the necessary levels needed. Follow that with the next most important to the least; this will give you guidance going forward.
2. Once you have determined priorities, consider your current sources capabilities to meet your needs and any logistical issues (such as shore locations). It is always helpful to have reliable backup sources, especially, those located close by (domestically). In most cases, there are significant advantages to buying American made.
3. Logistics is always important, as mentioned earlier it can have a dramatic affect when products are received, as well as, the additional cost. It is equally important when sending product to your distribution or end user. Developing reliable primary and secondary (in some cases third level) logistical support is imperative to maintain distribution inventories and address end user requirements.
4. When possible, offer product alternatives until your sourcing issues are resolved. For example, if you have enough of one product that can temporarily fill the void of another (some concessions may be made) you may be able to meet the customer needs without risk of losing them to competitive product/products.
5. Last but not least, be aggressive maintaining strong accounts receivables; remember those funds are even more important during difficult times like these.

MGM Brakes Disclaimer: This paper is an expressed observation based on industry supply chain struggles.