



Is Your Supply Chain Ready for the “New Normal”?

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Due to COVID-19, inventories of raw materials and finished components are low. But just like before the pandemic, most manufacturers don't know their true downtime costs. In fact, some companies underestimate factory downtime by as much as 300%. In the automotive industry, pre-pandemic downtime was costing OEMs over \$1 million per hour. Your business may be smaller, but you still have plenty to lose proportionally.

Consider the example of a manufacturer with 150 production employees, each with an hourly rate of \$50. Purchasing cannot get any of the rubber parts that Production needs, so the entire line comes to a halt. The total cost of employee downtime is \$7,500/hour, an amount that does not include manufacturing overhead. Supply chain failure is still painful if the manufacturer can get only some of the rubber parts it requires. If just 70% of Production is operational, the total cost of employee downtime is \$5,520/hour.

Whether you're restarting production or ramping up manufacturing, the “new normal” of our COVID-19 world requires some fresh thinking. There are four ways to strengthen your supply chain.

#1 Determine Product Availability

Can your regular suppliers provide the parts or materials that you need when you need them? Find out. Don't assume the answer is “yes”. If you can expect anything, it's delays from businesses that were deemed “non-essential”. After all, they need to resume operations and ramp-up production, too. According to a recent Institute for Supply Management survey, almost 75% of U.S. companies have experienced disruptions in their supply chains as a result of transportation restrictions related to COVID-19. Unfortunately, their problems are now your problems, too.

#2 Understand Vendor Capabilities

Many buyers do not know their vendors' full capabilities. For example, some of Elasto Proxy's customers think we're just a distributor. Others think we're just a gasket fabricator. Fewer know that we distribute materials, fabricate gaskets, source molded rubber products, make thermal-acoustic insulation, and provide other services. It's easy to overlook a vendor's additional capabilities when you're busy, but don't wait for a production stoppage to identify an overlooked vendor who can supply more of what you need.

#3 Look for More Ways to Save

Because the supply of parts and materials is low, the prices you paid before the pandemic may have risen. If your company didn't lock in vendor pricing, you need all the leverage you can get during price negotiations. Buying multiple products from a single supplier can help. It's like a volume discount across multiple SKUs. Buying from fewer vendors also lets you reduce shipping costs, expedite receiving and handling, secure more favorable terms, and reduce the cost of processing payments.

#4 Monitor Vendor Performance

When all of the COVID-19 restrictions are lifted, manufacturers want to be busy as they meet pent-up demand. No matter how busy you get, remember to monitor vendor performance carefully. There's always a cost to adding and maintaining vendors. So, is it better to have fewer vendors, but ones you can depend upon? Or does your company carry a list of suppliers that costs senior management plenty of money on vendor scorecards? As for today, can these vendors deliver during the “new normal”?