

GUIDELINES FOR ASSESSING YOUR SUPPLY CHAIN

MANAGE YOUR SUPPLY CHAIN



Assessing COVID-19 impact on Supply Chain

COVID -19 has brought a major disruption on global supply chain. Companies in Mauritius are heavily dependent on raw materials that are bought from other countries. In this conjecture, our businesses are more likely to suffer if we are unable to source out raw materials and send goods once produced to our clients. Thus, it is imperative that we ensure that our complete supply chain is functional.

What do we do? How do we mitigate this negative impact?

- Planning**
 Think about how are you going to develop a plan or strategy in order to satisfy the demands and necessities of your customers? You will need a strategy to manage all the resources required for designing products and providing services? To do so, you will need to assess your current supply chain.
- Prepare - quickly assess your current supply chain and the risks inherent**
 List out your suppliers as below Are you dependent on one supplier only? Relying on a single geography or a single supplier for key products is very risky.

S.No.	Supplier Name	RM Procured	Annual Amount	Key Benefits Derived
1	Name 1	Iron		
2	Name 2	Steel		
3	Name 3	Aluminum		
4	Name 4	Plastic		
5	Name 5	Desktop		
6	Name 6	Mouse Pad		
7	Name 7	Rod		



Can your suppliers continue to provide the raw materials? Conduct a market assessment with regards to their inventory, production, and purchase order fulfilment. Will they be able to provide you with the required materials in the given time? Where are they located? What payment facilities do they provide?

Keep a record of all your suppliers and vendors and make sure that you build a comprehensive file for each of them with all the required information that you might need.

You may use some components of the checklist below and build your file.

Checklist	
Current catalogue or price list. Complete with product descriptions	
Business cards from any sales or support personnel with whom you have dealt	
A list of all distribution facilities	
Discount schedules including minimum purchase requirements	
Delivery options, including estimated delivery time	
Technical assistance and other services available	
Return policy	
Warranty information	
Information on any co-op advertising plants offered by the suppliers, including special promotional and grand opening programs.	
Any request for quotations	
Copies of all invoices	
Telephone numbers, including toll-free numbers, for all appropriate Contacts	
Any special terms for seasonal items	
Lease options	
Information on all other services offered by the vendor/supplier	
Discount terms for prompt payment	
All shipping methods available and their terms	
Information on terms for long-term contracts	



-  Networking with a pool of suppliers
-  The market share, reputation of suppliers
-  The financial position of suppliers to see if they have the capacity to provide specially post covid19
-  Location of suppliers
-  Facilities provided by suppliers in terms of payment

Examine supplier base against performance criteria

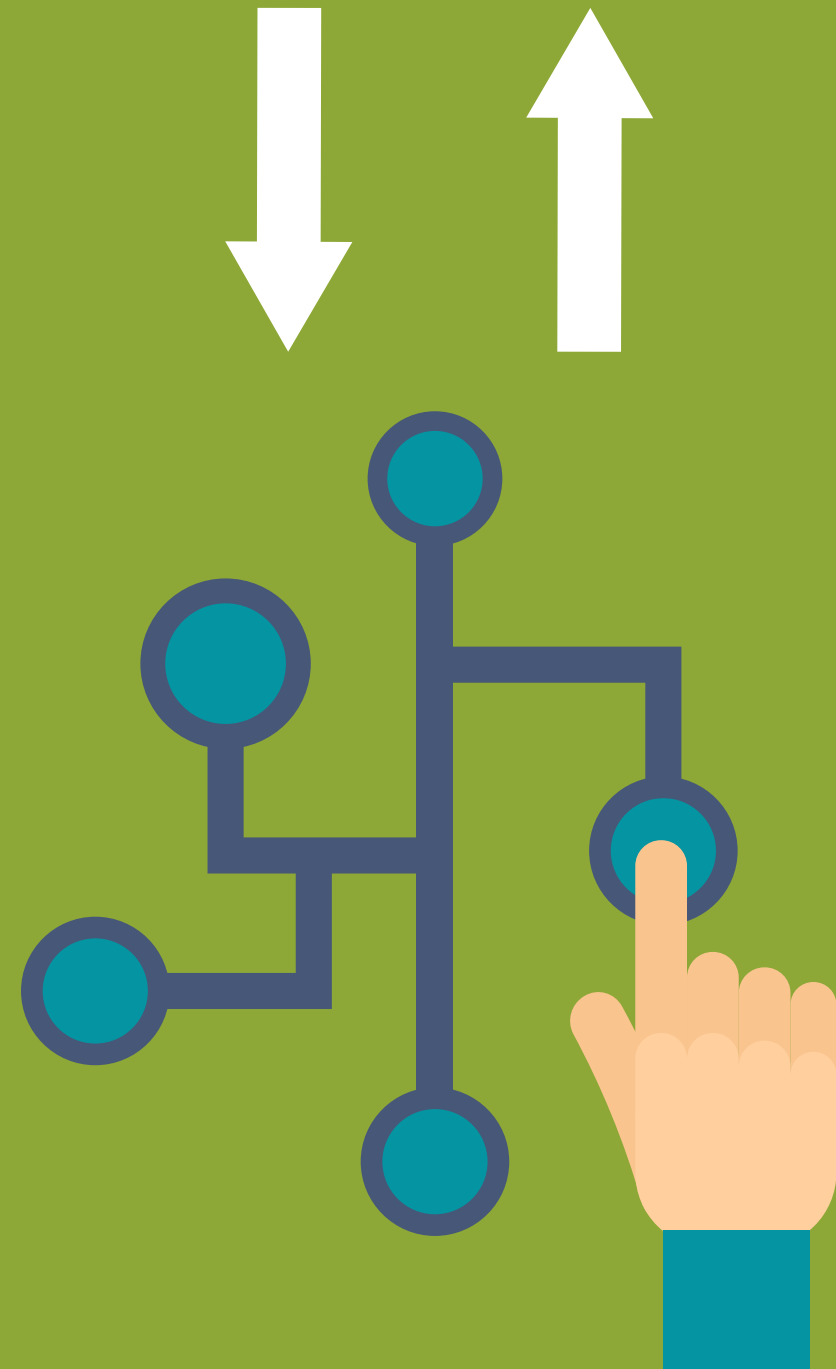
Performance Criteria	Supplier 1	Supplier 2	Supplier 3
Price			
Reliability and Responsiveness			
Delivery			
Quality Level			
Product Specification			
Partnership Approach			
Valur for Money			

You can use the above criteria to rate your suppliers as either underperforming in which case you might want to discontinue doing business with them. If rated as preferred, you will want to work with those suppliers and build long term partnerships.

Shortlist the best suppliers who can still provide you with the required material

Request for quotes from those that you rated as preferred and shortlist the best supplier based on the quote.

It is important to shortlist the key suppliers who can still supply raw materials and work with them to understand their ability and flexibility in delivering in the event of shortages. This will allow the company to better plan. Active communication and formulating alternative plans will be critical to minimizing the supply chain impact on the company. If your assessment shows that you are heavily dependent on one or two suppliers consider looking for other suppliers.



What do we do? How do we mitigate this negative impact?

- Establish demand and production scheduling

After assessing which products you might sell during this disruption caused by COVID-19, focus on production scheduling agility. Prioritize what products you will produce in the event of raw and direct material inventory shortages, especially where an ingredient or part may be used in multiple finished goods. You might want to focus your production on goods that have a high value added in terms of revenue. This will ensure a significant inflow of cash to the business.

However, with expected supplier and demand disruption, be prepared to:

- Refine production schedules
- Review your production plans based on the inventory available
- Change demand and what you are capable to build
- Ensure that you do not use component parts that put your most important products

Try to minimise wastages by clearly defining the resources needed to start the production process along with the sources of resources to be used if necessary while paying special attention to a specific process or machine that produces significant wastage. Bills of materials can then be prepared by making a checklist of raw materials(quantity), industrial supplies, equipment and machinery needed for production.

Company Name

Material List

Date:.....

Item Name	Description	Quantity	Unit Cost	Total

.....
Prepared By

.....
Signed By



What do we do? How do we mitigate this negative impact?

- **Understand your inventory levels**
Companies have been implementing practices to reduce inventory across the supply chain and some work to statistically set safety stock to buffer normal demand and supply variability. Many companies will not have enough inventory buffers to withstand disruption caused by the COVID-19 epidemic.

INVENTORY CONTROL



Track Inventory



Stock Count



Organize Inventory



In and Out Stock

INVENTORY MANAGEMENT



Automate Inventory



Integrate Market



Predict Demand



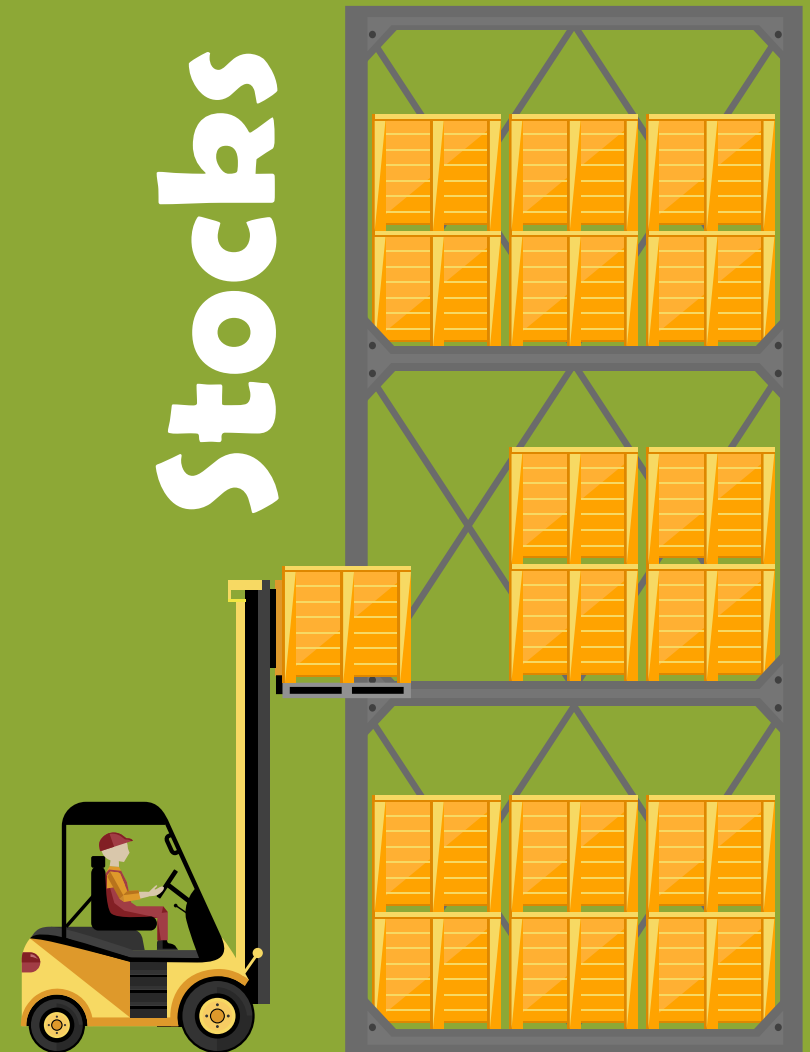
Order Management

Quickly reassess the stocks that you have in store and compare it to the new production schedule that you have put in place. To ensure that there is no disruption in production, regularly track and organise inventory to ensure that there is no understock. A well-established production schedule and forecast will help you plan your buying over time so that you do not face an out of stock of raw materials. Based on the new demand forecast, quickly refine your inventory strategy to mitigate the risks of supply shortages—balancing a number of factors such as assessed supply base risk, cash flow, perishability, etc

It is equally important for better material handling to minimise breakages and loose money. Thus, tighter control is needed in the warehouse. A good inventory management system with good controls in place will enable better decision making while purchasing of goods.

Reassess

Stocks

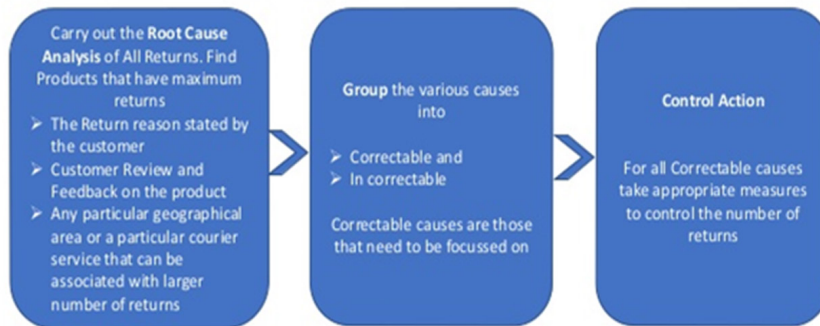


What do we do? How do we mitigate this negative impact?

- Managing Returns

There is also a need to ensure a responsive and flexible network for accepting damaged, defective and extra products back from customers and facilitating the return process for customers who have issues with delivered products.

Proper Quality checks should be done at every stage before delivery to customers since defective products represent a cost for the company. Ensure that your system for managing customer complaints and after sales service is still functional. Make sure that the proper sanitary measures are in place while taking back the defective products for repair. Plan the re-delivery effectively so as to minimize transport costs. For example, if there is a delivery on the way for other customers, it can be planned accordingly. Systematically, look for root cause for returns so as to minimise defects.



- Look for alternate suppliers

If you do not have enough visibility across the extended supply network you might be at a greater risk. Before buying from a new supplier, you must assess their credibility and trustfulness.

- Are they safe suppliers?
- What is their inventory status?
- What are their delivery deadlines?
- You are not their only customers. Do they have flexible logistics networks to ensure the flow of goods in a profitable manner?

Ensure proper quality checks



What do we do? How do we mitigate this negative impact?

- **Enhance Visibility**
Work with your suppliers to increase visibility on inbound materials. You can expect a significant decline in on-time in-full delivery performance from your key suppliers. Getting visibility to the status of your inventory at the supplier production schedules, and supplier shipment status will help you to predict supplier shortages and respond accordingly. Keep the communication lines open and make sure that you have a contact person who can inform you in case of lateness of shipment and distribution. This might help you review your production schedule thereby reinforcing the need to have an agile production planning.
- **Re-evaluate your logistics**
Evaluate alternative outbound logistics options and secure capacity. With significant port congestion, a significant decrease in air freight capacity, and truck driver shortages, there is a significant backlog in logistics that will take some time to resolve as logistics operations gradually come back to normal. Companies need to work to secure capacity with their logistics partners. Contact your logistic partner and enquire about their current status with regards to availability of trucks, drivers etc. Based on the feedback, establish a new logistic plan on how you will be able to get your products to your customers. Keep in mind that you may have to look for alternate logistics partners depending on their ability to get their service functional.

While evaluating your logistics also consider:

There should be a good coordination between everyone involved to ensure right and timely delivery. Reduce payments by cheques or by cash and firms should be well prepared for contactless payments i.e Juice, MYT money, online payment Deliverymen should be well equipped with hand sanitizers, masks and gloves while heading for any distribution.



Below are some key constraints that you might take into consideration while assessing your logistics and drafting your new logistics plan.



What do we do? How do we mitigate this negative impact?

- **Prepare for potential channel shifts**
Mauritius has seen an increase in online shopping demand during this epidemic for everything, including fresh food and groceries. This unexpected shift in channels has created challenges for many companies since there is insufficient ecommerce capacity to meet demand, insufficient inventory allocated to the online channel, and a severe shortage of last-mile delivery service capacity. Consumer oriented companies should assess the implications of a potential shift of demand from traditional retail to online, and move quickly to prepare.



What do we do? How do we mitigate this negative impact?

- Update inventory policy

Thus it is important to re-establish the required safety stock needed with regards to what is likely to be appropriate in the near future as well as build a comprehensive strategy on how we will source out our raw materials in these difficult times and our new mode of acquiring new suppliers, logistics partners, etc.

You may use this checklist to identify key risks to your Supply Chain.

Impact of COVID-19 on the Supply Chain				
Activity	No	Possible Impact of COVID-19 on business	Estimate of financial impact	Possible mitigation strategies
Procurement & Inventory mgt	1	Shortage or no raw materials	Ex :100 % loss of sales	Ex: Look for alternative suppliers or propose alternative products
	2	Poor Quality of raw materials		
	3	High price of raw materials due to high demand/low supply		
Production	4	No production due to unavailability of raw materials		
	5	Disruption in Production planning & scheduling		
	6	Idle workers if there is no production due to shortage of raw mats		
	7	High production cost due to high price of raw materials		
Logistics	8	Delays in import/export due to flight cancellation /port congestion		
	9	Delays in distribution due to product shortage		
	10	Idle workers if no product is available for distribution		
Customer	11	Delays in fulfilling orders		
	12	Unable to match demand		
	13	Loss of customers / Dissatisfied customers		
Information	14	High forecast errors		
	15	Information becomes erroneous		
	16	Information sharing among stakeholders is disrupted and cause delays		

Source

<https://www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/gx-COVID-19-managing-supply-chain-risk-and-disruption.pdf>



The NPCC can facilitate the discussions for the modules where you need us most.
We can arrange for online discussions and group work.

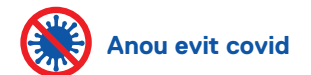
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