



# Take Action Toolkit

## Some Tips and Strategies for Navigating Supply Chain Disruption

The world is currently dealing with a level of disruption to the supply chain that we've never encountered, and no segment is more affected by this than industrial distribution. The COVID-19 pandemic shed light on supply chain weaknesses and forced businesses to confront the problems.

When the pandemic began, companies reduced their operations or shut down entirely, expecting customers to stop buying as everyone had to shelter in place. Except that didn't happen — or at least not for long. In no time, people were buying even more than before, as they took on new projects and hobbies. But distributors and manufacturers had stalled operations, so they had to not only resume work with a limited staff, but also rapidly scale their efforts to meet demand.

The saying goes that the supply chain is only as strong as its weakest link, but when the entire chain is weak, it leaves distributors in angst.

Now, distributors can't get inventory and manufacturers can't get supplies, or both are facing major shipping delays and increased costs. Add in a labor shortage and it seems like there's no end in sight for these woes.

### Supply Chain Pain Points

- Access to inventory
- Geopolitical events
- Turbulent weather
- Change in customer behavior that resulted in a rapid, unexpected demand increase
- Complexity of supply chain, including globalization and outsourcing effects

The complex and global nature of the supply chain means that where one country might be able to resume work as normal, their vendor or supplier might be in a locked-down country where they're unable to operate as before.

Luckily, there are things that companies can do to survive the current supply chain disruption and make it to the other side even stronger than before. This effort requires a hard look at both personnel and operations, and the final answer will require a blend of the two areas.

### The People Part



Malini Natarajarathinam, associate professor of engineering technology and industrial distribution at Texas A&M, says that industrial distributors have always fostered quality relationships with their suppliers but now is the time to enhance those relationships. It's more important than ever to make sure all relationships in the supply chain are strong.

#### 1. Engage and be proactive

Talk to your vendor about their production goals, what they have coming and how that aligns with your own goals. Malini also encourages distributors to take this relationship-building a step further and begin engaging more directly with customers. These relationships will provide key insights into forecasting, so distributors aren't left scrambling if their customers change an order unexpectedly. "When you're planning, you want to engage with customers to figure out what they're going to want," says Malini.

These kinds of honest conversations can help distributors in an instance where they're not able to provide a certain product, due to the current supply chain issues. "There are so many strategies you can take to smooth that situation out if you know in advance what the customer is expecting."

#### 2. Data visibility

Engagement and conversations with vendors and customers will provide deeper visibility into their operations and wants, respectively. But it's also critical that distributors dig deep and gain more detailed insight into their own supply chains. Will you be able to respond to customer needs fast and efficiently? Malini says distributors need to be able to quickly answer key questions, such as what inventory is in the warehouse, where inventory is along the supply chain, and what/where resources are.

Although this is all information distributors have on hand, the key is how to gather this information quickly.



### 3. Alignment between sales and operations

Sales reps and operations professionals may work together to procure inventory and price products, but this relationship has become even more important, says Malini. "If you're not really in sync and let's say the salespeople don't understand how much costs have increased, they could still be pricing the way they did before, which isn't profitable." Having these two separate groups on the same page makes for a more profitable business.

### 4. Recruiting and training new talent

In the wake of this chaos, distributors are going to need employees who can help their businesses succeed into the future. "Right now, people are training on the job for all the new changes, but when we get to that steady state, we need people who can come in ready, and that should be a priority for companies, too."

## The Operations Part



Craig Conrad, senior lecturer of engineering technology and industrial distribution and 40-year veteran of the electronics industry, says the first step for distributors right now is putting their fires out. Solve current problems, then do a deep dive into the issues and what caused them. After dealing with immediate problems, distributors can then build a more resilient future:

### 1. Design supply chain friendly products

The goal is to design products that don't require obscure products from obscure vendors. When you create a unique situation like this, it's bound to fail, says Craig. Design products from commonly used/accessible parts and work with trusted vendors who have a solid supply chain.

Distributors may need to review their product offering and where they source their inventory. The greater the distance

between where the product is being manufactured versus where it is being used opens the door for supply chain disruptions. The focus on sourcing has historically been on cost. However, a better balance needs to be reached between cost and supply chain risk as the industry moves forward. It is possible that companies will see that paying a higher cost for supplies in closer proximity financially benefits them in the long run.

### 2. Understand the vulnerabilities of your vendors

If the supply chain is only as strong as its weakest link, this also applies to the company-level perspective. Much like Malini's suggestion, Craig recommends having deeper conversations with vendors, doing your own research and understanding the risks and vulnerabilities of each of your suppliers. "We have become increasingly more aware of how global disruptions, including geopolitical conflicts, pandemics and natural weather disruptions, affect the supply chain. This awareness is what will drive suppliers to better understand our entire supply chain and the associated risks," says Craig. What are the shipping costs or frequent weather patterns that might disrupt production or shipping? How much are labor costs? Where are your vendors getting their supplies from and are those areas prone to any risk?

The goal from of this step is by understanding the vulnerabilities in your own supply chain, you can be better prepared for the future, says Craig.

### 3. Un-complicate your supply chain

Simplify your supply chain by revisiting inventory strategies. Does your inventory strategy take into account supply chain risks or is it the same for all products and all suppliers? Figure out which products you had the most difficult time getting and create a plan that considers your findings. You may also consider increasing or decreasing the number of suppliers based upon the risks that you uncover," says Craig.

## About Texas A&M's Master of Industrial Distribution

Texas A&M's Master of Industrial Distribution (MID) is a 4-semester, part-time, mobile learning graduation program designed for working professionals. By incorporating both academic professors and industry leaders who co-teach each course, students not only learn theories, but applicable supply chain management, logistics, and profitability of distributors and manufacturers in industrial channels.

Request more information about the program and learn more.