
Coronavirus outbreak reveals the weakest links in the supply chain

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For many firms, the outbreak of COVID-19 has meant staff working from home and more use of teleconferencing rather than face to face meetings.

However, it's a different situation for manufacturers because, despite investments in automation, reducing the need for staff on assembly lines, they still need to receive raw materials.

The impact of Coronavirus is both global and unpredictable, and the supply chain shock it is causing will most definitely and substantially cut into the worldwide manufacturing revenue of US\$15 trillion currently forecasted for 2020 by global tech market advisory firm, ABI Research.

The virus will have both short- and long-term ramifications for manufacturers.

"Initially, plant managers and factory owners will be looking to secure supplies and be getting an appreciation of constraints further up the supply chain plus how much influence they have on their suppliers," explains Michael Larner, Principal Analyst at ABI Research.

In the longer term, manufacturers will need to conduct an extensive due diligence process as they need to understand their risk exposure, including the operations of their supplier's suppliers too. "To mitigate supply chain risks, manufacturers should not only not source components from a single supplier but also, as COVID-19 has highlighted, shouldn't source from suppliers in a single location," Larner advises.

In software applications in the manufacturing setting, ABI Research forecasts that the supply chain impact of Covid-19 will spur manufacturer's spend on enterprise resource planning (ERP) to reach US\$14 billion in 2024. While many ERP platforms include modules for inventory control and supply chain management, in light of the outbreak, many manufacturers will also turn to specialist providers. Larner adds, "Supply chain orchestration requires software to be more than a system of record and provide risk analysis and run simulations, enabling manufacturers to understand and prepare for supply chain shocks."

Industry 4.0 has received much attention; however, the focus has been on the

activities inside the factory gates. “But investments in robotics or IoT sensors and the like assume that assembly lines receive a steady flow of raw materials. COVID-19 demonstrates that manufacturers need to be as focused on their supplier’s capabilities as they are on their factory floor,” Larner concludes.

(ABI Research)