



# Disruptions in Today's Economy: How Can Supply Chains Prepare?



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*How can we better prepare to minimize the risks that disruptions present and mitigate their impact? Here's how to build a more flexible and agile supply chain.*

2020 has had a rough start. With COVID-19, we've seen firsthand the domino effect of disruption on global supply chains. And we know similar risks are posed by natural disasters like the bushfires in Australia, economic factors like plunging stocks and tariff wars, political disruption like Crimea and Ukraine, and labor factors like driver shortages. These events confirm how interconnected we all are—regardless of geography.

While it's difficult to predict the short- and long-term impacts of these types of supply chain disruptions, we can learn from the impacts of past events (SARS outbreak, Hurricane Katrina, the earthquake and tsunami in Japan, Brexit, etc.) to better prepare for future events and build contingency plans—especially as we recognize disruptions of all types seem to be happening more frequently.

Most companies' supply chains operate very lean today, and it makes them more vulnerable to disruptions.

How can we better prepare to minimize the risks that disruptions present and mitigate their impact on our supply chains? How can we make supply chains more dynamic in order to respond to changes such as a loss of supplier or a logistics service provider?

Regardless of your business or vertical, there are ways to build a more flexible and agile supply chain:

### **Planning and Preparation through Simulation**

Strategic planning, simulations, and optimization exercises should identify and evaluate contingencies IF needed so they can be implemented WHEN needed.

Building various types of disruption scenarios into supply chain modeling is key—especially when needing to identify routes for carriers outside your preferred network, reposition inventories of available resources/product, or reallocate limited or constrained capacities.

Practicing contingency responses provides perspective and the ability to make informed, data-based decisions—not reactive ones. The ability to

perform strategic, tactical, and dynamic planning using real-time, current-state data is essential to minimizing the impact of disruptions to supply chains.

### **Responsive Freight Procurement**

Responding to supply chain disruptions may require sourcing new carriers. In the case of the coronavirus, China suppliers are impacted. As a result, companies need to rely heavily on secondary suppliers and source transportation accordingly. The ability to build a new preferred carrier network or analyze different modes of transportation is needed to ensure the most cost-effective options are on the table. Spot bidding capabilities allow access to alternate carriers if contracted backup carriers aren't enough to meet current needs.

Supply chain disruptions pose great risks to corporate bottom lines, but can also be used to uncover real opportunities to effectively mitigate the impact of these events. Conducting proper analysis in advance can help companies better prepare for what lies ahead. Is there an over dependence on a finite set of suppliers or carriers? Would near-sourcing or second sourcing a subset cost more but incorporate more resiliency into the supply chain—which could cost less long term?

By building flexibility and balance into supply chains, companies can minimize their vulnerability and lessen the impact of the next challenge we'll face. Don't let the opportunity to learn from current disruptions pass by.

## This Is Not a Drill



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*Create an agile, real-time approach. Have an effective communication strategy, one that includes internal users, vendors, and carrier partners.*

**W**ith the one-two punch of the coronavirus outbreak and the nearly unprecedented economic shock, we're forced to deal with uncertainty amid constantly changing conditions.

It is highly likely the number of issues your business is facing will rapidly escalate; now is the time to take action to get ahead of what may be forthcoming.

You need to start establishing multiple contingencies as, more than ever before, maintaining flexibility in logistics is essential.

You need to be prepared to address capacity, supply chain instability, and vendor viability, to name a few issues. The recent surge in demand across nondiscretionary product categories is slowly diminishing excess capacity.

Just last month trucking demand increased by 150% year over year, while freight costs have also soared. Carriers seem to be favoring the spot market over existing contracted rates.

If you haven't already, now is the time to search out secondary and tertiary trading partners to mitigate any potential issues with your primary partners.

### Take Decisive Action

Don't delay. Create an agile, real-time approach. Have an effective communication strategy, one that includes internal users, vendors, and carrier partners. This will have a critical impact on your success.

Quick and proactive communication could help you avoid breaking the transportation link in your supply chain and help contain any pain and damage by alerting your trading partners to act fast and in accordance with your ever-adapting requirements.

In preparing any communications, you should clarify your ideas before you communicate them, be clear, simple, and succinct, respond in a timely manner, adapt readily to any situation, practice positivity, and put your audience at ease.

Take advantage of tools that will help automate your communication tasks. Now is not the time to be scouring the market for all-encompassing solutions; however, there are a host of simple, incremental solutions available today that can be deployed quickly and with minimal interruption to your process. You can achieve many advantages and mitigate risk by deploying these.

### Make Timely Adjustments

To help source backup carriers or to effectively purchase in the spot market, consider engaging a Bid solution. Many solutions afford you the ability to shop on the open market or in a closed market with trading partners that you've already qualified. This should also allow you to manage ad hoc lanes, manage repetitive shipments, and support your global, cross-functional teams.

With the landscape ever changing, you'll need to be able to easily communicate new carriers, new receiving policies, and a variety of other changing rules of engagement to your suppliers and team members.

With a Routing Guide solution, you'll be able to make immediate adjustments to adapt to requirements and simultaneously push these to your trading partners without impacting your supply chain. The good solutions are easy to use and easy to implement.

Whatever you decide, do something, take action. Be smart, be bold, be nimble, and be well.