

Overseas Procurement: A Real Challenge Faced By The Industries Due To Coronavirus!

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Bhawana is an entrepreneur with passion for interior designing and decoration. She has the quality of instilling beauty and vivaciousness in people's life.

As the Coronavirus menace continues to take a toll on humanity and the number of affected people is rising exponentially, it is now becoming clear that Coronavirus is more than a health concern. Industries all over the world have started to suffer and global business has been brought to its knees. The pandemic has also carved out gaping holes in the edifice of supply chain. China is the major supplier of finished and unfinished goods around the world. Coincidentally, it's also the epicentre of the pandemic, which has led to the shutdown of all manufacturing units in the country. This has majorly affected the supply chains around the world. Also, Italy, which is the major exporter of unique and exquisite goods has taken the brunt of it, making overseas procurement impossible.

The Causes Of Crisis

As the supply drought hits, many organizations are regretting their decision for relying on a single supplier. The supply-chain managers are well aware of the risks associated with single sourcing, but they still do it to meet the demand or to secure large supplies in a short duration.

Often, due to the nature of the goods being imported, there are only a handful of suppliers available, and unfortunately, most of them are based out of China. Also, while large firms can think about sourcing from multiple suppliers, it doesn't make much business sense for small firms to do so. These small business firms are also the ones that are suffering the most because in many cases, their only supplier has gone off the map without any warning.

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According to an article by Harvard Business Review, to mitigate the crisis and to prevent it from recurring in the future, risk management principles should at least be applied to tier 1 and tier 2 company supply chains. Beyond tier 2, the risks associated with single sourcing should, at the very least, be understood.

The Solution

At the very least, the companies should invest in a 24X7 monitoring system. With ever-evolving technologies like Artificial Intelligence (AI) and Natural Language Processing, monitoring has become easily accessible as well as affordable. Running a globally dispersed supply chain in a world that is consistently in a state of flux and whose dynamics are changing every second, is like driving a million dollar car without an insurance.

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Besides monitoring, there are some companies that are going a step further and engaging in the mapping process. Mapping means interacting with suppliers to learn about their global sites as well as subcontractors. This gives them a better understanding of their supply chain and helps them to know which parts are produced in or passed through those sites. By setting up this system, the companies are alerted in advance in case of a crisis and they have an ample time to restructure their supply chain in order to prevent any major losses. Even though setting up this system requires some capital investment, in the times of crisis, it pays off and serves as an insurance policy.

Those companies however, who did not already have such contingencies are coming up with indigenous solutions of their own to meet the demands of their customers to keep their business afloat. Many companies have resorted to producing the required products locally and are customizing those products as per the needs of the customer. Obviously, it is not an easy alternative but for many small business owners, this is the only option. That being said, there might be a silver lining here as well.

Having been forced into a corner to set up their own production houses, these small business firms have come across an opportunity to produce the goods locally. Difficult as the process might be in the initial phase, once the machinery is set up, it could greatly reduce the costs they incur in procuring the goods from overseas. They can then sell these locally produced goods at cheaper prices and still derive more profit than they did before – in essence, good for both the customer and the seller.

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