

# Responding to supply chain vulnerabilities resulting from Coronavirus (COVID-19) outbreak

The risk of supply chain disruption can be catastrophic on businesses:

- WIP Stockpiles tying up working capital resulting in cash-flow challenges
- Inability to produce goods whilst still incurring many significant operating costs
- Loss of customers; or penalties/litigation by customers
- Potential long-term brand reputation damage

On 31 December 2019, a cluster of pneumonia outbreaks in Wuhan, China were reported to the World Health Organisation. Identified as a coronavirus (COVID-19), this current public health emergency has been expanding globally at a rapid rate and may soon be declared a pandemic.

Whilst the escalating medical and macro-economic implications of the virus spread continue to be reported, there are increasing concerns regarding the impact on global supply chains.

The Wuhan region at the centre of this pandemic is known for the manufacture of parts for technology and consumer-electronics products, apparel and textiles, as well as steel and alloys. Often these are highly customised and difficult to substitute and with transportation restricted (for example Wuhan's Yangtze port only processing shipments deemed essential) this will have a significant impact on downstream manufacturing of goods across the globe.

As the effects of the virus continue to spread, larger and prolonged quarantined zones come into effect and downstream manufacturing constraints occur, there is an unprecedented business continuity impact on consumer goods and retail companies.

**Have you assessed and reduced the impacts and risks of COVID-19 on your supply chain?**

We have been working with our global experts to develop a rapid and pragmatic response process for clients.

There are six key steps we recommend you undertake:

- 1 Identify potential material/stock hot-spots**  
Align stocks with sales forecasts to determine any short to medium-term reorder requirements
- 2 Trace and assess suppliers against risks**  
Understand and trace all components with stock-out risk (including packaging) of your products back to source determining any overlaps with COVID-19-affected areas
- 3 Work with partners to mitigate risks**  
Contact suppliers to determine continuity of supply risks, timeframes and potential alternate solutions
- 4 Defray risk with alternate supply**  
Determine alternate sources and arrange emergency stock where required
- 5 Proactively engage with your customers**  
Assess cost-implications of alternate supply and commence proactive negotiations with customers to ensure limited margin leakage
- 6 Monitor and repeat**  
Continue to monitor ongoing supply risk as the pandemic evolves

Reach out to our supply-chain and procurement experts to find out how we can help you de-risk



**Andrew Dutkiewicz**  
Director  
andrew.dutkiewicz@pip.global



**Tom Sonnen**  
Director, Asia Procurement lead  
tom.sonnen@pip.global



**Colleen Grady**  
Partner  
colleen.grady@pip.global



**Adrian James**  
Partner  
adrian.james@pip.global

A rapid, pragmatic assessment of your supply chain could help your organisation avoid the costly brand reputational and financial impacts of supply failure. Our sourcing and supply chain toolkit is based on over 20 years working with leading organisations across Australia and Asia, delivering over >\$2.0bn in sourcing value for our clients.