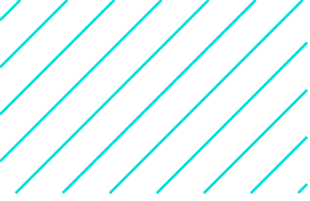


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HOW COVID HAS CHANGED SUPPLIER MANAGEMENT



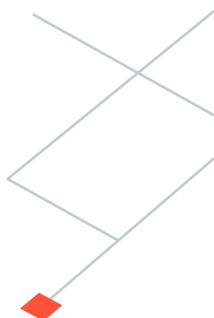


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COVID-19 HAS MADE EVERYTHING MORE DIFFICULT, INCLUDING WORKING WITH YOUR SUPPLIERS. HERE'S HOW TO MEET THESE NEW CHALLENGES.

In conjunction with our previous white paper on supplier audits, we thought it would be helpful to produce this companion paper on managing supplier relationships in the age of COVID.

There's never been a disruption in living memory like this global pandemic. And there isn't a single aspect of "normal" life Covid-19 hasn't changed. But life still goes on and business still needs to be done, albeit under some very different and difficult circumstances. Here are some of the ways business has changed and some strategies and ideas to help you cope.



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SUPPLIER MANAGEMENT STARTS WITH YOU

Covid has increasingly stressed various aspects of your business, including labor, production and customer relations. All those stressors, of course, are magnified in your supply chain, where unfortunately, you have limited control. And as the one aspect of your business that interconnects with all the others, you need to be able to perform an accurate and realistic assessment of your position.

In relationships with their suppliers, most brands typically overestimate their importance. In times of crisis, these realities come to the surface very quickly and with stark consequences. That's why any modifications to your supplier management strategy must begin with an honest appraisal of where you stand with your various suppliers.

When push comes to shove—and it has—how much leverage do you really have? Obviously, the time to build good supplier relationships is long before you absolutely need to tap into the reservoir of goodwill you've hopefully created. But even the best relationships won't eliminate the fact that you will still have to make tough decisions. So, it will help for you to know, beforehand if possible, what you're willing to compromise on and what you can or can't live with.

In the best of times, maintaining good supplier relationships involves a certain amount of give-and-take on both sides, as the result of respectful and honest negotiations. In bad times, this is absolutely essential.





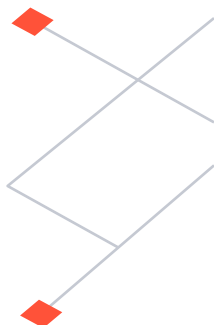
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WE CAN'T ALL BE INDUSTRY GIANTS

In any industry, there are giants and then there's everyone else. Most of us fit into the latter category. And it helps to know where you stack up in the hierarchy of your suppliers' customers. If you enjoy being a big fish in a small pond in good times, your supplier's size—or lack thereof—may work against you in a crisis. On the other hand, a bigger supplier may be more difficult to deal with, but you may have a better chance of getting what you need because they're less likely to be affected when things go south. Of course, you may find yourself having to commit to a larger PO in order to maintain their attention.

You can tell how big (and important) you are to your suppliers in a number of different ways, some more subtle than others. For instance, when you call, who calls you back? And when? Is it the owner or a junior account rep you've never heard of? Can you talk directly to people who can make things happen, or do you have to work your way through layers of gatekeepers? You might expect costs to fluctuate during this time, but what about other considerations, like lead time or customer service? And if there are changes, who communicates that to you and your team?

Overall, it's vitally important that you have cultivated good relationships with your suppliers, so you have more than a business-as-usual connection when things become difficult. Above all, remember that, just as in all relationships, flexibility and understanding goes a long way.



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THEIR PEOPLE PLANNING AFFECTS YOUR PEOPLE PLANNING

The middle of a global pandemic is not the ideal time to conduct a supplier audit. Still, there are things you need to know that you can learn simply by being observant and, of course, asking reasonable questions about their situation. For example, you'll get a pretty good idea of how well they're organized if they're following COVID protocols, not rescheduling meetings at the last minute and generally being available and responsive. Behind those tell-tale signs are thousands of details you'll want, and have a right to, inquire about. Like, if there's a serious outbreak at the factory, is there a contingency plan on a factory level? Will it have to be shut down? If so, is there a plan for that and how does it unfold? What alternatives are there?

If there's just one factory and it goes down, or more than one factory, who has the ability to move machines or people and still turn out products? Digging a little deeper, if the factory is going to continue to operate, will shifts be rotated? Will people running the machines be familiar with your manufacturing runs? Are their similar machines in other factories? Can different machines make the same parts? Can machine parts be interchanged? And bottom line, regardless, can they still run your products?





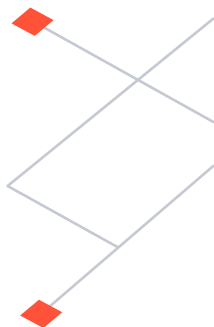
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JUST GETTING THERE IS MORE COMPLICATED THAN EVER

Unless you're a big customer, or you've made arrangements beforehand, suppliers aren't going to warehouse your goods. And with so many suppliers who've moved to a JIT model, there's much less leeway in getting product out the door in an emergency. While it may be more efficient and cost-effective, JIT manufacturing often turns out to be problematic in a crisis, when having inventory is a luxury.

That's where we are now.

Even if there are goods to ship, shipping has become a non-trivial problem. And believe it or not, shipping is often overlooked because its normally so reliable, it gets taken for granted. In these times, know who controls logistics at your different suppliers, who their carriers are, how many routes they cover and what their capacities are. But in any case, have a backup or two. And, make sure you have an account with the same company your supplier uses – UPS or Fedex, etc.





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QUALITY ISN'T A GIVEN

Normally, brands have established standards for supplier-manufactured products and materials. But as supplies—and suppliers—come under more pressure from the pandemic, quality could suffer. How can you protect your business so that doesn't happen?

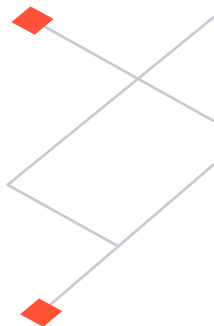
This is another area where having performed a supplier audit pays dividends. During that audit, you should have been able to establish specs and tolerances, so everyone knows what's being produced, and to ascertain your suppliers' ability to deliver that product consistently. You should also know whether they have tools to measure quality (or are they just eyeballing it), and their level of documentation of their results.

To completely put your mind at ease, though, you might consider asking for some samples to QA yourself, and you'll want to pay attention to how long it takes to get them. In more complicated situations where you'd benefit from having an onsite presence, given the difficulty of travel, you might consider hiring a local QA consultant or firm to be your "boots on the ground."

YOUR SUPPLIERS HAVE SUPPLIER ISSUES, TOO

You may not be able to control your suppliers' suppliers, but you should at least know the basics of those relationships. In general, what kind of relationships do they have with their suppliers? How do they manage those? When it comes to materials, what can they get or not get? What's their purchasing power? Do their suppliers have other locations, do those locations produce similar materials, and do they have enough capacity to support your suppliers' (and your) needs?

Based on how they answer questions like these—often, the same ones you'd ask your own suppliers—you may want to ask them to create some contingency plans, or even create those yourself by identifying alternative sources of supply.





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SUPPLY CHAINS ARE PEOPLE TOO

Supply chains aren't just about materials and logistics. They're also about all the people who make it all run smoothly. And today, everyone's struggling with the labor market. In one industry there are no jobs. In another, there aren't enough qualified people to hire. The one thing that's consistent is, whatever the condition of the labor market, it'll have a profound effect on your business for better or worse.

You can't do much to alter the character of your suppliers' labor markets but knowing what's going on there can help you make adjustments. Is the market robust or flagging? Is it a small pool, or is it easy to add capacity? If there is no labor shortage, how many days are they working and are there any interruptions, such as national holidays, that might affect your schedule.

Likewise, you should also be aware of any local government issues in the communities where your suppliers are located. Knowing the surrounding areas means when things change, you can call upon the local government officials you have relationships with to give you information about the decisions they're making. For example, are they going to keep businesses like your suppliers open? Under what conditions? And when can you be notified if things change? A big part of successful supply chain management is communication, and the more of it the better.



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NOW IS A GOOD TIME TO DO AN AUDIT

Having good supplier relationships in place as the result of a well-executed supplier audit will pay dividends. Especially in uncertain times like these. Because you'll already know every supplier's strengths and weaknesses, you'll have a better idea of what to expect. Even so, don't be surprised if you're surprised.

But just as a rule of thumb, though, suppliers who were committed to improvement and who demonstrated a willingness to provide better services in your audit, will likely be the same ones to do so. That's to be expected, too. After all, the most revealing picture of who they are and who they aspire to be will be shown in bad times, not the good ones.

For more information about how we can help improve almost every aspect your supply chain management, including our own list of audited and ranked supplier recommendations, **updated to reflect performance during the pandemic**, visit www.anvyl.com. For more information on Supplier Audits, read [How to Conduct a Supplier Audit](#).



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KEY CONSIDERATIONS OF A SUPPLIER AUDIT



Key Considerations of a Supplier Audit

- ✓ **Quality controls in place with track record**
Percent of defects within x time period
- ✓ **Available capacity to meet needs**
Machine rates - Total days worked - Efficiency rates
- ✓ **Contingency plans**
Machine capacity - Alternate manufacturing sites
- ✓ **Fair labor practices & employee safety measures**
Certifications - EH&S documentation - Employee training
- ✓ **Multiple locations**
Same equipment at different manufacturing locations
- ✓ **Responsiveness or response rate**
Does the organization respond in a timely manner

