

Sapics outlines current supply chain challenges, solutions

According to Sapics, efficient supply chain management is critical to ensure that South Africans continue to have access to food, basic commodities and medical supplies during the country's nationwide lockdown. "Our country and all South African people are facing an unprecedented challenge in the fight against the Covid-19 pandemic. As supply chain professionals, we are under even more pressure," says Kea Mpane, Sapics President.

"Our profession is at the frontline. Many Sapics members and member organisations are responsible for ensuring that the production, distribution and supply of food and basic goods continue in South Africa, and for transporting food and medical supplies around the country. In his latest address to the nation, President Cyril Ramaphosa recognised the vital role that they have to play, exempting these essential services from the upcoming lockdown of our country. Right now, we need skilled, qualified, professionally designated and ethically accountable supply chain professionals more than ever before."



Image source: [Gallo/Getty](#)

The spotlight is also on the measures that will be implemented by transport, distribution and logistics organisations to ensure the safety of drivers and staff who will provide essential services during the 21-day lockdown.

"Supply chain professionals and service providers will help to keep essential services operational," notes Mungo Park, Sapics member, past president and senior key account director at DSV. He says that the significant drop in demand for anything other than food during the Covid-19 pandemic is causing a new supply chain challenge: the problem of over-supply.

"This is leading to warehouses being unable to cope with the volume of inbound product with insufficient space for storage. This is exacerbated by the need for warehousing staff to work split shifts to reduce the risk of infection resulting in a decline in productivity.

"The demand for storage in bonded warehouses to postpone the payment of customs duties and VAT is increasing, but with

limited bond space available and a three month lead time the average for the creation of a bond store, most businesses are faced with the problem of paying for their purchases with little chance of recovering the cost of sales for the foreseeable future."

Establishing effective safety protocols

Park reveals that new challenges are also being faced for the distribution of goods and components. "As a precaution, to protect drivers and assistants from infection, protocols of no-contact deliveries are being implemented by couriers and distribution service providers.

"Another challenge to supply chains is the significant increase in air freight rates as a result of the cancellation of flights. On some routes, we are already seeing increases of over 200%, which is likely to continue for some time and will put inflationary pressure on prices from online retailers who as yet have to see a drop in demand for their products, although no significant increase in demand has been reported in that segment."

Sapics director MJ Shoemaker contends that the biggest threat to supply chains during this pandemic is panic buying. "This causes supply and demand patterns that are out of the ordinary and need to be managed. Ensuring that there is no panic down the chain and executing planning based on the risk management outcomes will support business continuity.

"Demand reviews must be done more often in a structured way, with strong communication between all teams. Businesses need to do a short and long term risk management assessment based on the current and future needs of the market and prioritise plans to cater for this," she stresses.

Employing risk management success

South African businesses need to up their game on this front. "The tendency in South Africa is to use tools that are more manual or work around an existing system. It creates an environment whereby they cannot act fast enough and spend too much time data crunching. Organisations need to work well together across the departments and use data-driven decisions to support the business. There must be clear processes and procedures to avoid 'shoot from the hip' decision making within silos," says Schoemaker.

Park believes that supply chain risk management lessons can be learned from this crisis. "Supply chain risk is something that has been spoken about for some time and Sapics has provided a number of learning opportunities for supply chain professionals in the past, but until now it has only been one or two industries that have embraced supply chain risk management. Organisations will need to build robust risk monitoring systems to evaluate and assess all types of risk.

"Organisations cannot rely on tier one suppliers to control and manage their risk and ensure stability from tier two, three and four suppliers. Organisations will need to have more insight into their supply chains, insight that they can trust. It will be important to identify the right partners and to build trusted relationships with all of their suppliers, including logistics service providers. Organisations will recognise the need for collaborative planning and execution with their supply chain partners,

and service providers will be expected to be far more involved in the articulation of supply chain strategy and planning of execution."

Looking ahead, Park says there will be an important role for supply chain professionals and service providers to play in the normalisation of logistics operations and services once the situation begins to stabilise. "Recovery plans will need to be put in place quickly to address the huge backlog of unfulfilled shipments and deliveries. This will be an opportunity for the profession to demonstrate the value that it has to offer in the recovery of economies and the rehabilitation of logistics operations."

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