BIZCOMMUNITY

SA needs supply chain risk strategy - Orlin

Foreign-produced goods are increasingly in demand by South African companies. To mitigate the risk of supply chain disruptions, it is critical that local businesses develop a comprehensive importing strategy.

BLUE STRATA TRADING

Trade data released by the SA Revenue Service has shown that the net trade deficit in South Africa increased by 55% to R57.01 billion compared with R36.7 billion in the same period a year earlier.

Strategies to alleviate concern

Adam Orlin, CEO at Blue Strata, a South African integrated end-to-end import and working capital specialist, says, "Companies that have clear strategies in place to deal with supply chain disruptions can manage the import process without concern about cost implications, narrowing of profit margins or the inability to meet customer deadlines, when disaster does strike."

He notes that importers operating without effective strategies are placing themselves at significant risk of financial loss as a result of delays, or even a complete disruption of their supply chain.

"One of the biggest threats that supply chain disruptions can present to businesses may be reputational damage or in the extreme, a cancellation of orders. For example, an importer that is sourcing goods on a large scale for a commercial holiday cannot afford any delays. Disruptions in the supply chain can ultimately delay the transit of goods meaning the importer could lose millions if the goods are received post the required delivery date, as the value is severely eroded should they be delivered after the holiday," explains Orlin.

Important guidelines

"Supply chain disruptions often occur unexpectedly. There are numerous causes of disruptions such as berthing congestion as a result of port upgrades or striking of unionised workforces. However, natural disasters and delays remain the biggest causes of supply chain disruptions."

Consequently, there is no standard strategy that importers can adopt to mitigate supply chain risks. Orlin advises importers to follow these critical guidelines when putting together supply chain disruption strategies:

- Have an early detection system in place to closely monitor the supply chain, mitigating disruptions along the way where possible. "When importers become aware of these disruptions in advance, they are able to proactively plan and make alternative arrangements," says Orlin.
- Source products from multiple suppliers. Relying on one supplier can be detrimental to an importer's business. "Importers need to have at least one supplier on standby that can be summoned in the event of an emergency. But ultimately, importers should build and maintain relationships with a number of credible suppliers."
- Incorporate risk management when strategising and making decisions at all levels of the supply chain.

Ultimately, supply chain disruption strategies should form part of an overall risk management strategy. Importers sourcing goods from foreign countries, including China, Japan and the United States of America where natural disasters are common, need to have a comprehensive risk management strategy in place to manage all types of risks.

"Failure to effectively plan ahead can present serious consequences for importers that do not have a standard and structured approach to help them deal with supply chain disruption risks," concludes Orlin.

For further information, go to www.bluestrata.co.za.