

SUPPLY CHAINS UNDER PRESSURE



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A MEDNET Research report supported by



and



May 2020

“A crisis is a litmus test for human character”

a respondent

FOREWORD

Mid-March I was calling a friend to pitch a business idea and while the phone rang I realized how inadequate my action was.

Because I suddenly figured out that my friend, involved in food production, had far bigger headaches. And so it was.

That was the trigger which prompted the idea to run a short survey about the pressures that corona virus crisis puts on the supply chains. We went on to ask people directly involved in the production, logistic and retail business about how they cope with supply and demand in the time of corona virus.

Most surveys I've read so far were quite general and somehow with common sense advice, telling us things we knew we had to implement a long time ago but ... you can fill in the blanks with whatever reason. That is why we wanted this to be specific: how the supply chains were impacted, how well they were prepared to handle pressure, what solutions businesses have found and how they implemented them, what learnings came out as a consequence.

As the results unfolded under my eyes, I realised how deep the pain was. The answers are brutally honest and candid, full of bitterness and helplessness rather due to the increased unpredictability of this world than to the crisis itself.

The sole intention of this study is to offer some learning from direct experiences. So I deeply thank to all those who were willing to share them, by taking some minutes to complete this survey.

I wish you a useful reading!

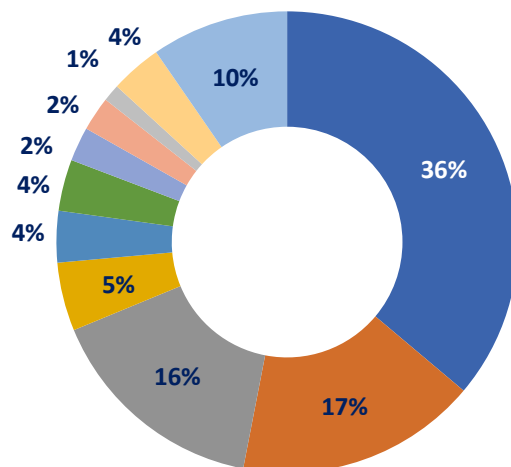
Roxana Baci
MEDNET Marketing Research Center

METHODOLOGY

The study was conducted on B2B databases, between mid-March and mid-April. It does not pretend to be representative for the Romanian business landscape. Whoever wanted to take a moment to respond to our questions was most welcome.

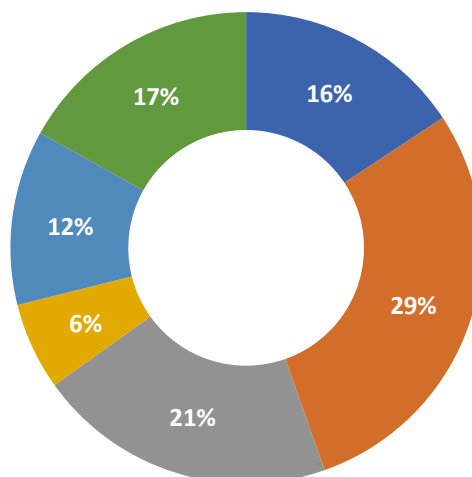
Profiles of the respondents are as below:

Industry



- Trade
- Industry
- Transport and storage
- Constructions
- Medical
- Services
- Agriculture
- Hotels and restaurants
- Information and communications
- Other fields
- I do not answer / Confidential

Business size



- < 1 mil Euro
- 1 – 10 mil Euro
- 11 – 50 mil Euro
- 50 – 100 mil Euro
- > 100 mil Euro
- I do not answer / Confidential

ACKNOWLEDGEMENTS

*Special thanks to the Romanian Logistic Association **ARILOG** and B2B platform **www.doingbusiness.ro** for the trust and solid help they provided in doing this research.*

BUSINESS CHALLENGES

Demand has fallen sharply

Probably the most important feature of this crisis is that it hit almost everybody at once. Apart from tourism & travel, non-food retail and Horeca, which by all means were impacted almost 100%, the rest of the industries suffered negative consequences in various degrees. Even the food production and retail, which otherwise registered probably one of the their best years, had to deal with the challenges imposed by the virus.

Our survey showed that 60% of the businesses have been impacted to a large and very large extent, while 35% to a smaller extent.

The biggest headaches of managers were ensuring raw materials, customer relations and staff related problems, with over half of the respondents experiencing these problems. Even in the fortunate situation that one's products were in high demand, many managers accused the lack of raw materials and, where available, the prices that went up overnight.

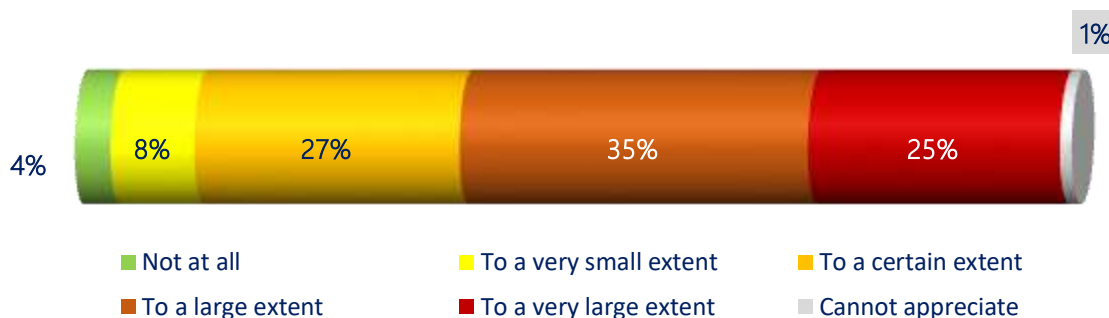
NB for the food industry: After years of streamlining food supply chains and making a virtue from reducing number of stock days, how much would have been the cost of food stocks under these circumstances?

However, the lucky ones were far less numerous than the others, as almost 50% of the respondents said that the demand for their products has fallen “sharply”.

Not only images, but also figures can speak better than one thousand words, so let the figures do the speaking!

BUSINESS CHALLENGES

To what extent has the activity of your company been affected by the COVID-19 crisis?



What aspects of your business have been mostly affected?
- multiple response question -

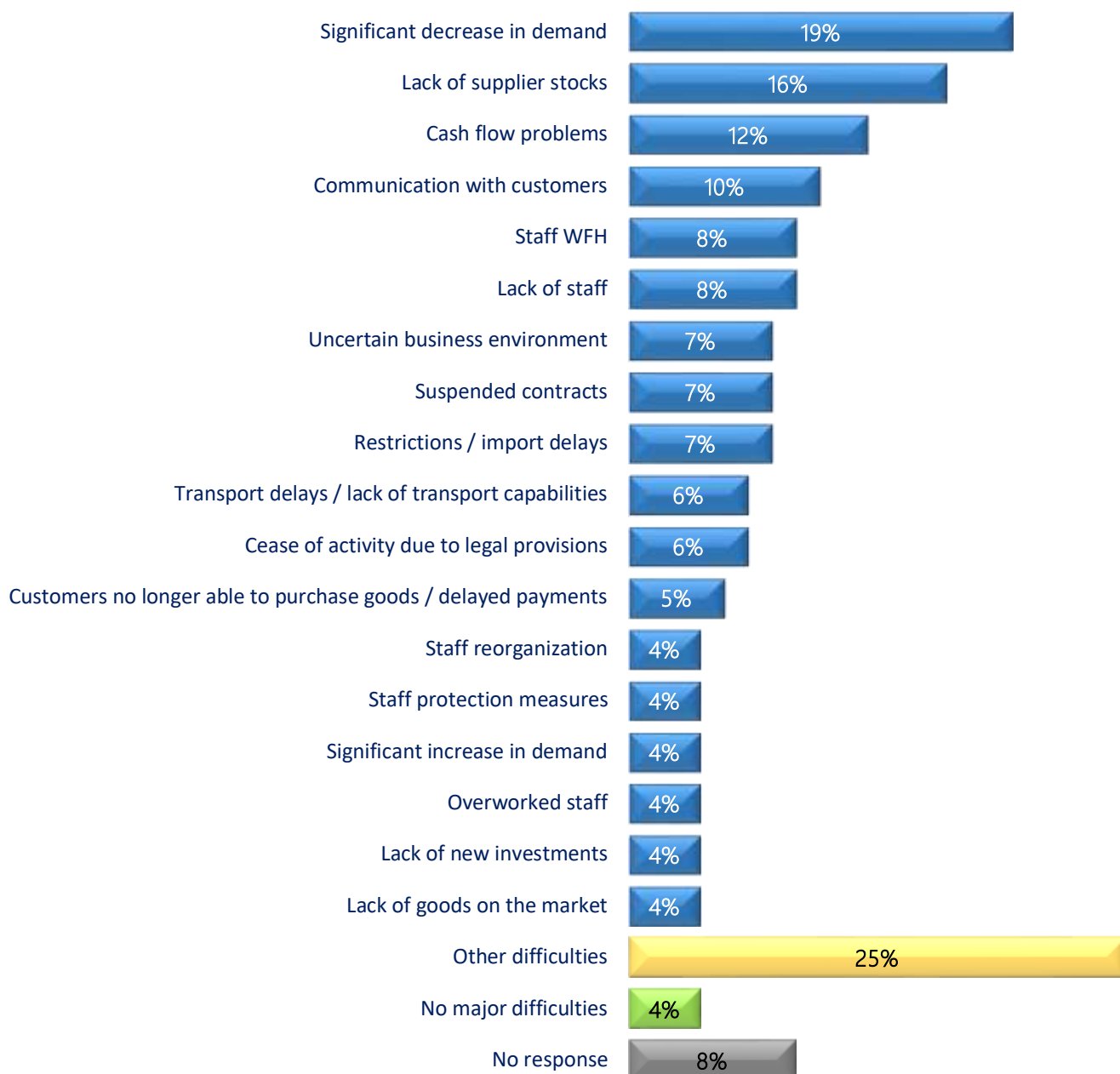


What were the staff related issues that you have faced?
- multiple response question -



BUSINESS CHALLENGES

Describe the major difficulties in running your business during this period,
as a result of the COVID-19 pandemic, - *open question* -



BUSINESS CHALLENGES



SIGNIFICANT DECREASE IN DEMAND

“Our business - selling diesel injection spare parts - is directly related to the intensity of traffic, which is the most real, sincere and correct indicator regarding the state of a country's economy. Car traffic has dropped a lot, repairs are delayed, so the demand for spare parts is low. In addition, the repair activity for agriculture decreased.”

“We do not have orders to be able to deliver the goods made in stock and we no longer know how to proceed with the employees.”

“The demand decreased for the installation works of the equipment sold by us. It is not possible to carry out the activity respecting the measures of keeping the distance, we do not risk to endanger our employees.”

“Demand for products has plummeted. The retail spaces were closed by the Military Ordinance. We are not ready for our own online store. Expenditures continue to flow and revenues are zero.”



LACK OF SUPPLIER STOCKS

“Lack of stock of goods at suppliers causes delays in carrying out contracts signed before the epidemic.”

“Delayed orders for raw materials. Uncertainty regarding production planning in the context of possible lack of raw materials.”

“...our major problem is the uncertainty that we will not be able to honor contracts with customers, because, one by one, our external suppliers no longer produce.”

“Insufficient ability of some suppliers to honor orders.”

BUSINESS CHALLENGES



PROBLEMS WITH CASH-FLOW / CUSTOMERS DELAYING PAYMENTS

“Cash flow pressure caused by advance payment requested by suppliers and timely payment by customers.”

“Drastic imbalance in terms of internal cash flow.”



COMMUNICATION WITH CUSTOMERS

“Company representatives can no longer visit new customers.”

“Cancellation of face-to-face meetings with customers, direct interaction in dedicated events - logistics, distribution.”

“Customers no longer come to our headquarters.”

“We work in services, we sell industrial equipment...Our business relies on customer visits-- now they're banned.”

“Most clients do not accept visits.”

BUSINESS CHALLENGES



STAFF RELATED DIFFICULTIES

“Disruption of productivity because most staff WFH.”

“Increased demand in stores and insufficient staff for shelf replenishment”

“Working from home made it difficult to solve problems.”

“We split the production team in two and the production capacity decreased.”

“Exposure of employees who need to travel and get in touch with many people.
The inherent decrease in productivity caused by part of the activity being moved home.”

“Protecting people while protecting and maintaining business at an acceptable level”

“Reduced work schedule of all employees. Spending on protective equipment, hand and surfaces sanitizers, including disinfection of all products in the warehouse.”

“Volume increase versus available staff. Extended work schedule that can meet the demand for volume processing.”

“...lack of operators (staff), panic that influences all staff...”

“Employees who have requested leave to stay home with their children.”

“Communication within teams, affected by WFH and traffic restrictions. Ensuring hygiene and safety measures to avoid the occurrence of illness among staff.”

BUSINESS CONTINUITY

WFH - COVID vocabulary

A high percentage of those who responded to our questions – over three quarters – were already having business continuity plans in place to resort to in this difficult period. Out of those who didn't have, a large majority is now thinking of developing one.

The study reveals that the main business continuity measures that companies put in place were supplementary hygiene regulations and Work From Home. WFH posed the additional challenge of ensuring the necessary IT equipment in this respect. Likewise, reorganizing warehouses and production facilities schedules and shifts, in order to reduce or eliminate people interaction, was a major challenge which led to a decrease in productivity.

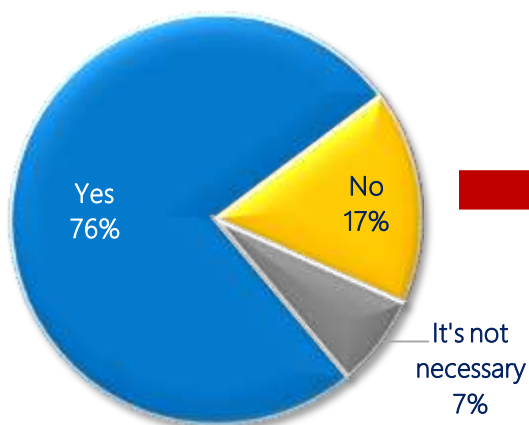
Other measures referred to securing additional cash flow to ensure crisis survival, along with a higher attention to spending. Hence many renegotiations of rental, transport, services contracts and, not least, employees remuneration.

Although to a lesser extent, respondents quoted production and assortment adaptation to the new level of demand as challenges.

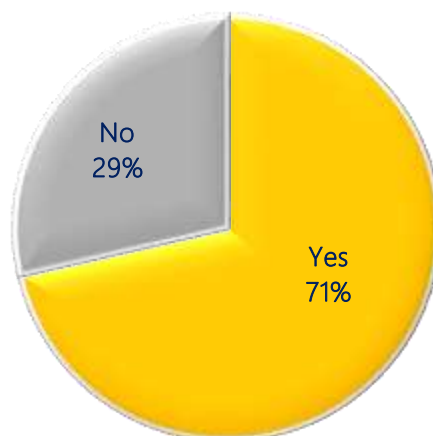
Even if just 4% of the respondents to this survey said that they have decided to increase investments as a response to the crisis, hopefully more businesses are doing the same.

BUSINESS CONTINUITY

Do you have a business continuity plan?



Do you intend to implement one?



What measures have you taken / will you take to ensure business continuity?

BUSINESS CONTINUITY



STAFF HYGIENE / PROTECTION MEASURES

“Measures to protect the health of employees, regardless of where they work.”

“Providing protective materials for personnel and training on prevention measures.”

“Measures to protect staff and train them on the new measures implemented to limit the spread of the virus. At the loading / unloading places – interact with as few people as possible. Avoid direct contact. Using your own writing tool when completing transport documents. Hand disinfection before and after loading / unloading. Prohibiting the access of foreigners in the means of transport.”

“Acquisition and use of necessary consumables: medicinal alcohol, disinfectants, gloves, antibacterial wipes, masks.”

“Special hygiene procedures in the context of COVID - 19. Epidemiological triage.”

“...measuring the temperature of all those who enter the warehouse with infrared thermometer, distribution of masks, gloves and disinfected within stocks.”



STAFF WORK FROM HOME

“Optimization of computer systems to allow work from home. Establishing measures to verify and control the fulfillment of employees' tasks.”

“Ensuring remote work for all company employees.”

“Teleworking for people who can carry out activities from home.”

BUSINESS CONTINUITY



ACTIVITY REORGANIZATION

“There is a plan at the company level for the continuous development of the activity – we work, but we depend on others.”

“Focusing on product ranges that will be sought after in times of crisis.”

“Increasing orders on items that had very high sales, generated by this pandemic.”

“Narrowing the assortment in production and prioritizing assortments with high productivity, in order to increase production capacity...Focus on production and delivery planning and on permanently informing strategic customers about the availability of goods.”

“If necessary, reconfigure the distribution network so that we can deliver from other warehouses located at greater distances.”



STAFF REORGANIZATION

“Decreased interaction between colleagues and checks on the risk of contacting the virus...delayed breaks for employees in the same shift, lack of meetings between shifts, filling in forms at the entrance to the warehouse regarding the risk of contact with an infected person or the risk of infection when traveling in an infected area...”

“Organizing shifts of productive staff, temporary increase of production in sites where this is possible.”

“Back-up staff. Reorganization of distribution areas. Rearrange the personnel scheme according to the specifics of the activity, but also to the need in the operational area.”

“Separation / isolation of people performing similar jobs, to ensure continuity in case of illness.”

BUSINESS LESSONS

Be prepared for the unthinkable!

This is the major learning of humankind, not only businesses. Almost one third of the respondents said that their major lesson was “be prepared” for the unthinkable and “be cautious” – act as you are in a crisis, even if it’s not the case.

It is probably too soon to conclude how permanent are the changes that this crisis performed on business in general, however some of them are here to stay for a long time. And always being alert for the next crisis is one of them. Better safe than sorry.

A hard lesson is also navigating on unpredictable waters. Not only businesses, but governments all together were unable to respond, as COVID was a new kind of threat. So we have to permanently deal with uncertainty and unpredictability.

And, as we talk about supply chains, their fragility is a lesson to be kept in mind. Don’t put all your eggs into one basket proved painfully right again: dependency on one major suppliers equals suicide.

Someone wisely concluded that, at the end of the day, people make or break a business (as a crisis would also do, no doubt), especially during hard times. So, building a trustful team helps a long in enduring times.

Another major lesson of these days is the exemplary mobilization of the private business. Experience showed that the best help comes from self help, so the business community displayed a splendid example of solidarity and fast reaction capability in mobilizing resources for helping others and adapting fast to the new reality.

Faith in humanity restored!

BUSINESS LESSONS

What is the main lessons you / your company have learned as a result of this crisis?



BUSINESS LESSONS



ALWAYS BE PREPARED FOR ANYTHING

“Contingency plans must be designed at the first sign. If the alarm turns out to be false, it is not the case to implement, but if it is confirmed, in this way it can be implemented urgently.”

“The need for decision and immediate adaptability to a situation whose evolution is rampant.”

“You need a Contingency Plan for anything you think is a scenario that "can't happen to you".”

“Anything is possible, no matter how SF it looks in the movies.
I don't make long-term plans anymore.”

“You always have to have a reserve in case of unforeseen events.”



ALWAYS BE CAUTIONS

“We learned the lesson from the previous crisis, so we don't stretch more than the blanket holds.”

“That in normal times, when it comes to resource management, we should behave as if a new crisis is imminent.”

“It is good to have the company capitalized, and the supply to be rational.”

BUSINESS LESSONS



WE ARE NOT PREPARED FOR A CRISIS

“We are not prepared for crises of any kind, not just coronavirus.”

“We are never prepared for the exceptional situations that may arise.”

“Lack of an action plan in case the economy would suddenly fall by more than 50%.”

“If we run out of imports, Romanian companies are not able to relaunch the economy.”

“I became aware of the fragility of the business chain and, especially, its dependence on IT systems and a surprisingly small number of people.”



BUILDING A STRONG TEAM OF EMPLOYEES

“Staff - the crisis is the litmus test of human characters...The most important thing now - I speak as an entrepreneur - is to have a team of good, dedicated and honest people with you. I was inspired to always focus on my team and that means I'm a lucky man now.”

“Discipline: those who work organized cope better with periods of crisis (whether they are called COVID or otherwise).”

“...without flexibility and trust in the team, you do not exist. You can assess the level of involvement and determination of the team only in times like this.”



IMPOSSIBILITY TO ANTICIPATE A CRISIS

“That we cannot foresee such high risks as the epidemiological one, the extremely fast escalation of the infestation evolution and the blockages occurred in the commercial and transit relationship between countries, between customers and suppliers.”

“Estimates no longer come true, external factors are often unpredictable and uncontrollable.”

RESOURCES

Lessons from others

We hope that this study was an interesting reading and we provided some good takeaways for you and your business. If you found little comfort in discovering that you were not alone in your endeavor and you have probably taken same measures as the rest of your peers, our mission would have been fulfilled.

But we take a further step and leave below some links to interesting readings we came across during this period. We hope you will find them useful, resourceful and enjoyable!

The Economist: Covid-19 is foisting changes on business that could be beneficial

https://www.economist.com/business/2020/03/05/covid-19-is-foisting-changes-on-business-that-could-be-beneficial?utm_campaign=the-economist-today&utm_medium=newsletter&utm_source=salesforce-marketing-cloud&utm_term=2020-03-09&utm_content=article-link-3&fbclid=IwAR2IfgsEYZ7DORCOI2FXDzs5ELHex3W7JH0yj_tEvEwurJ2V54DLy0ICcko

Texas Monthly: Best practice - How a local retailer prepared for the pandemic

<https://www.texasmonthly.com/food/heb-prepared-coronavirus-pandemic/>

Ziua Cargo: best reading on how the crisis changed supply chains

<https://www.ziucargo.ro/articole/o-reinventare-a-proceselor-in-supply-chain-169776.html/>

CONTACT

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