

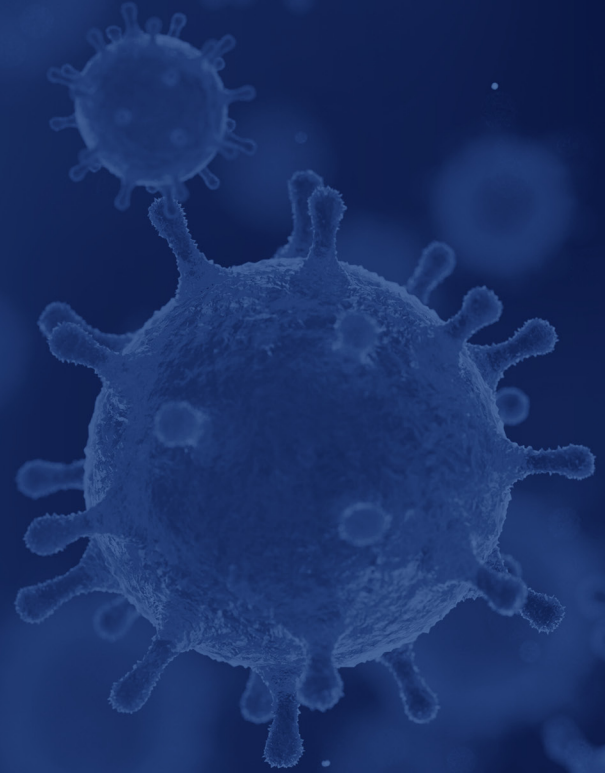


Providence Enterprise

Full-Service Global Contract Manufacturing

STRATEGIES FOR CONTINUITY:

Dealing with Disruptions and Global Material Shortages



On 13 August, a prisoner was released on parole after having served just over half of his 30-month sentence. In spite of being convicted for bribes and embezzlement amounting to tens of millions of dollars, Lee Jae-yong has now been asked to **return to work**. Among other reasons, this controversial decision was made in hopes that Lee, heir to Samsung Electronics, will help alleviate the world's **semi-conductor shortage** woes.

How Disease and Disasters **Weakened Supply**

The global supply chain has taken a battering over the past 20 months, curtailing the availability of critical components and materials, from semi-conductors to plastics. Consider the timeline that only includes headlining events:



February 2020 - Present

Wuhan, China, an industrial powerhouse within "The World's Factory" became the site of the world's first Covid-19 (then still unnamed) lockdown. The virus swept over the globe, and continues to slow or suspend businesses, delay port operations, decimate inventory stocks and drive up prices.



August 2020

Hurricane Laura hit Louisiana and Texas, forcing closure of numerous petrochemical factories and reducing the country's production of polythene and polyethylene by nearly 15%.



February 2021

North America was struck by a powerful winter storm. Damage to some petrochemical factories was such that it was estimated it would take half a year to fully recover.



March 2021

Container ship, The Ever Given, blocked the Suez canal for nearly a week, delaying hundreds of other vessels and causing "one of the biggest traffic jams in shipping history".

Facing Ongoing and Recurring Crises

For now, massive disruptions to the supply chain are the new normal. Sure, the grounding of a massive cargo ship is unlikely to be a recurring event, but we have yet to see the end of issues caused Covid-19. Though it is thought that Europe and the Americas have pulled through the worst of the pandemic, the virus is now ravaging South and South-east Asia, home to nine of the world's top ten low-cost manufacturing countries.

In addition, weather events caused by the climate crisis are only expected to worsen. This year, more above-normal activity is predicted during the Atlantic hurricane season. It is not out of the question that leading polymer producers in the United States will again have to declare forces majeures and forfeit on or delay deliveries.



Shouting in a Storm... and Better Strategies for Managing Supply Shortages

There is no silver bullet solution to instantly wipe away the disruption caused by global materials shortages. However, there are several strategies which, combined, help you minimize risk and keep your supply chain integrity. Which are you implementing?



1

Fighting for your share

While this is the go-to action for many manufacturers, for most of them it will mean a lot of effort with minimal results. Can you make your voice heard above that of hundreds of thousands of competitors? Remember these include mega-manufacturers with enough buying power to push their way to the head of the line.



2

Spot buying

Sometimes lots are put up for sale. How quickly can you evaluate and grasp these rare, sudden and fleeting opportunities?



3

Using alternatives

Do you have ready options for components or types of material that become unavailable?



4

Designing for excellence

Have you examined trends and likely changes to reduce the risk of parts that may be discontinued or, due to demand, become prohibitively expensive?



5

Back-up material network

You've probably listed all kinds of designated suppliers in your Bill of Materials. Beyond this list, do you allow your CM to suggest alternatives closer to the production site who can offer a better, steadier, or more cost-effective stream of materials or materials? Equally as important, can these alternates readily step in if, for example, quarantines, storms or other forces majeures close access to your overseas suppliers?

The more questions you answered with “no”, the less prepared you are for material supply disruptions.

Partnering with a CM **Who Says “Yes”**

Dire situations such as a global materials shortage are where you truly get to know your contract manufacturer (CM). A CM who answers all the questions above with a firm “yes” is your key to continuity in the face of disruption.

While other companies scramble to put out fires as they occur, the right CM will have solid strategies in place that allow them to pivot with changing circumstances. This includes mechanisms built into the earliest stages of development. From the start, they follow design for excellence (DfX) processes, evaluating materials based not only on price and how well they do the job, but on likely future availability and competition should there be new shortages. They will have a ready list of quality, trusted and often more cost-effective parts and suppliers – including suppliers near their factories – and therefore unaffected by port closures or shipping delays – so supply chain disruptions result in choices, not shutdowns. They will react swiftly and accurately to spot buys, to save costs and ensure safe levels of inventory.

Your CM’s network of suppliers and other supporting experts is not only the result of years in operation, but more of carefully cultivated relationships. A partner CM understands that to earn your trust, they themselves need dependable partners who will deliver.

An Easy **First Step**

What issues have affected your supply chain over the past couple of years?

What are your current and future concerns?

Check out our guide below to help you strengthen your approach to managing a supply chain on a tumultuous environment.



Minimize Your Supply Chain Disruptions To Achieve Supply Chain Resiliency

Managing your supply chain is no easy task, and the impact of your decisions are critical to the success of your product. A great product with poor supply chain support will not succeed. **We have created this guide to provide you with insights about how to build a relationship with your CM to ensure supply chain resiliency.**

About Providence Enterprise

Providence Enterprise is a Hong Kong electro-mechanical, contract manufacturer of finished goods with manufacturing in China & Vietnam. We specialize in electro-mechanical assemblies and high-volume disposables. We are FDA registered and ISO 13485, ISO 14971, ISO 14001, ISO 27001 certified. Our capabilities include fabricating tooling for silicone rubber and injection molded plastics, clean room injection molding, electronics, clean room assembly, and sterilization.



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