

PLEXCONCIL - The Plastics Export Promotion Council

# PLEXCONNECT<sup>®</sup>

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**Raffia – The Industry that  
Treads the PP Demand Growth**

**Interview with Pratibha  
Dewett, CMSO, Lucro**

**Advanced Cargo Information  
in Egyptian Customs**

**Resilience in Supply Chain  
Networks**



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1955-2020  
Empowering Lives through Plastics

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# Resilience of Supply Chain Networks - An Aetos Perspective

*Plexconnect invites Anil Arora, Founder & MD, Aetos to share his views on the global supply chain dynamics against the backdrop of the pandemic.*

## Taking stock of reality in a post Covid world

It would be lying to oneself if one did not want low prices, especially during a force majeure induced recession. It is ensured that global competition will not allow firms to charge higher prices just because they have decided to source locally (which is invariably higher cost). The challenge to firms now is to maintain a fair amount of competitiveness with increased resilience in the face of pressure of running efficient operations & use of capital & capacity.

As markets for traditional products mature, innovation lights the way for increased competitiveness in the global foray. Along with innovation, special technologies & advanced materials are also required making it hard for a firm to have all the capacity/capabilities necessary to generate everything itself. Consider the advent of IoT & their inclusion in the process of making appliances 'smart', an appliances manufacturer would not have the ability to make sensor-based touch panels or internet enabled microchips to control the various operations of their devices.

There are several weak spots that got highlighted due to the pandemic triggered temporary trade restrictions. The most exposed industry has been that of Communication equipment, Apparel and Petroleum products (Fig 1).



**Anil Arora,  
Founder &  
Managing  
Director, Aetos**

*Evolution brings massive change upon an industry, and a swift acceptance of what is and what can be. It is said that if you cannot change the direction of the wind, adjust your sails.*

*COVID-19 has impacted the way we do business in a more significant way than any other event in recent history. Within the supply chain, traditional ways of approaching customer relationships, efficiency and product leadership are being revisited. What we are seeing now is the ability of businesses to adapt to our current reality and seizing upon the opportunities being presented.*

*Designed to be responsive and agile, a strong supply chain must address changing variables in how goods are moved from one place to another with efficiency, dependability and fluidity. Such adaptability is the capability of a company to efficiently manage and react to changes or disruptions without substantial negative impacts on time, cost, quality, or performance, and build resilience even in the most trying circumstances.*

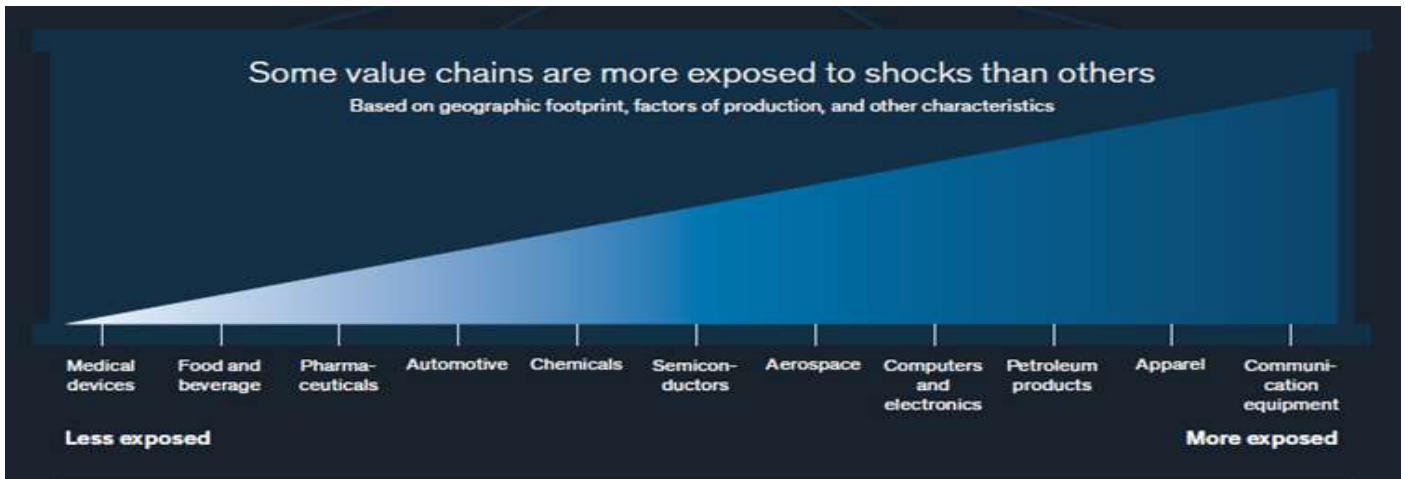


Figure 1: Impact across various value chains (McKinsey Global Institute, 2020)

The challenge for companies is to make their supply chains more resilient without weakening their competitiveness. To meet this challenge, managers should first understand their vulnerabilities and then consider a number of steps—some of which they should have taken long before the pandemic struck.

There is a rise of economic nationalism which is evident, India's Atmanirbhar movement is an example of a movement towards local sourcing & production. The situation is same in other countries as well, & according to Harvard Business Review (Shih, 2020), manufacturers worldwide are under great politico-competitive pressure to increase domestic output & grow employment in their home countries, all the while reducing dependence on risky sourcing, revisiting lean manufacturing & inventory strategies that dictate the amount of inventory held in their global supply chains. Companies could implement resilience strategies in their supply chains by diversifying sourcing from different geographies (for eg. 25% of the overall product from 2 or more manufacturing concerns) & keeping capacity utilization in check (say upto 85%).

The McKinsey study has calculated that there is approximately a month's worth of disruptions every 3.7 years of a magnitude that wipes away 45% of a year's EBITDA every decade. It now has become very critical to evaluate the focal points of a firm's supply chain strategy (Fig 2).

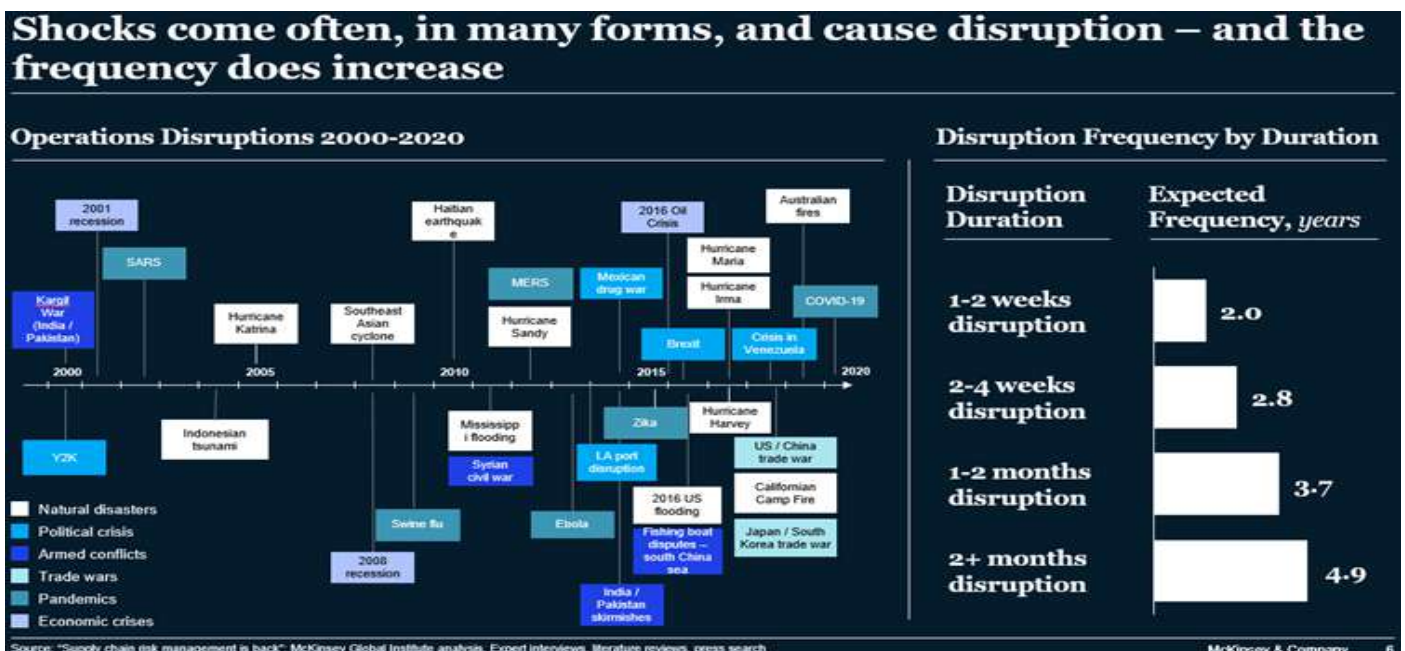


Figure 2: Size of disruption (Alicke, 2021)

Risk profile, partnerships, trade-offs, cost ownership & govt policies are the pillars of building resilience in supply chains for the long term. Of them all, a firm has control over only certain variables within each vertical giving way to a very interesting but essential balancing act resulting in making or breaking the future of the firm.

History has shown us that small well thought solutions solve a majority of issues on the landscape. While inventory management, cost optimization, nearshoring & 'glocal' sourcing are at play it is important to note that product, plant & platform harmonization are critically important synergies to have in order to build the much sought-after supply chain resilience. Purpose driven digital transformation exercises, including but not limited to the movement of siloed legacy ERP systems to modular and integrated supply chain platforms providing the entire gamut of services is a firm footed step in the right direction (Fig 3).



**Fig 3: Integrated Platform with Business Intelligence Module (Aetos DigiLog, 2021)**

Supply chain adaptability is serving as the most sought-after capability in the industry. Cross sectional validity for supply chain resilience should be checked across value chain. Measure of primary & backup suppliers and associated key stock levels along with inventory concentration across geographies is a sure first step towards this. Assessment of emerging downstream dynamics like D2C as well as distribution network analysis is the natural second step. A third step can involve stress testing the process environment for efficiency and performance & making the digital move towards both while enabling enterprise network monitoring for all the above. Finally, a realistic look at integration with participating government agencies (Customs, Railways, Ports etc) during the digitalization exercise would definitely yield value for the long run.

It seems that the next gold rush in the logistics & supply chain space would be on the digital frontier & in this, one must run as fast as one can in order to stay competitive and thrive. However, it requires specialized bandwidth, domain experience & technical thoroughbred to execute this transformation.