

Linking the supply chain

The strain on the supply chain today is very prominent; the demand for goods for Tier 1 suppliers to large OEM's is constantly put under pressure due to cost and availability, the latter exacerbated by the pandemic. Christian Matenaers from Zoro UK discusses the importance of having a strong supply chain.

In order for subcontractors in manufacturing and engineering to be successful, they need a strong supply chain. This allows for work to be completed on time to a high standard. Without materials and services from suppliers, subcontractors are unable to provide for their customers and build growing businesses.

A 2016 study found that 89% of companies expected to be competing with others primarily based on customer experience. When one part of the chain breaks, it can put a whole manufacturing process on hold leading to a poor service provided to your customer. By having suppliers that can provide constant and a reliable service, you are able to maintain the manufacturing process and continue to supply to your clients.

With the modern manufacturer using cost saving techniques such as just-in-time management as well as lean manufacturing processes, the need to be nimble is more important than ever. By using these practices, many



companies have reduced their inventory, meaning they need supplies in a timely manner or risk halting the supply chain.

Diversity of supply vs price vs local/global

Due to demand and globalisation, buying locally is not always possible. With cheaper parts and machinery coming from the east, many companies opt for the large quantity at smaller cost. This may not always mean quality. Being able to buy British is something that many manufacturers want. Due to demand and the size of orders, this may not always be possible. With the recent global pandemic, the weaknesses of the global supply chain have been exposed across all industry sectors. Demand throughout many supply chains has slowed, particular in automotive and aerospace advanced engineering industries.

It is even more important than ever to have trusted suppliers. In 2018, the value of imports from China was £44.7 billion compared to exports to China at £22.6 billion a deficit of -£22.1 billion. Are we too reliant on international imports? This globalisation by trading across the world has shown a downside to our supply chains, especially during the current global pandemic. In China, domestic and international trade transactions suffered a week-on-week drop of 56% beginning mid-February. The United States, United Kingdom, and Europe followed suit, with a combined initial drop of 26% in April, and a continuing decline of 17% in late April.

But how important is the UK supply chain? Reports show that increasing competitiveness across our manufacturing supply chain could boost the UK's economy by

around £30 billion by 2025. This all starts by having suppliers and people you can rely on and trust.

With the rising tensions between USA and China, the potential threat of a change in supply chain looms. The IMF (International Monetary Fund) predicts that by 2024, China's economy will be 56% larger than the U.S. economy on a PPP basis. A reliance on cheap products from developing countries could prove costly as these economies modernise and their wages increase.

The differing needs of SMEs and OEMs

SMEs are under more and more pressure to compete for the resources they need to contribute to the onward supply chain. The need for affordable but high-quality parts to remain competitive to their OEM customers is vital to maintain and build relationships. When it comes to SMEs, having a trusted supply chain is really important.

Many SMEs rely on an international supply chain to source competitively priced components for manufacturing. With SMEs being able to manufacture components at competitive prices, many large OEMs favour outsourcing their manufacturing needs to get better value for money and quick turnaround times. This enables SMEs to contribute to the supply chain.

Another problem that SMEs face is the risk of sourcing poor quality items to meet quotas set by large OEMs. If supplies are not sourced correctly, and quality



checks not undertaken, it can result in recalls on products produced and returns by the customer. This will lead to a crippling reputation. This underpins the importance of supplies coming from a reputable source; it paves the way for your company as a whole and the work that is to follow.

Impact on high value items vs commodity

And this applies across high value items, as well as low value. For example, at Zoro we can supply high value items such as tool pre-setting machines at over £10k, through to metal cutters at £6k down to screws for a penny a packet. These can be bought on a company credit card.

By having a range of suppliers from around the world, we are able to keep the supply chain running. And by delivering the next day to the smallest of SME's to the largest of OEMs, we understand the importance of a

Zoro supplies items ranging from a £10k tool pre-setting machines down to screws at a penny a packet

Christian Matenaers Marketing Director Zoro

constant and dependable, intact chain. We can set up automatic replenishment system for our business customers on over 300,000 products.

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