PARTS CHAINS

Convenient, a *second* supplier of screws

The pandemic halted the well-oiled global supply chains, to the horror of businesses. With large stocks and more suppliers, the risk must be reduced.

By our editor **Milo van Bokkum**

Alexander Collot d'Escury, CEO of Bruynzeel Storage Systems, actually sounds a bit surprised himself. But his expectations for the next five years are really very high. The turnover will continue to grow from 60 to 100 million euros in five years. Profits could already go up by half next year. "We see that there is an incredible potential. That's great for us. "

Why? Because storage and supplies have become "fashionable" since last year supply chains ran into massive problems. The Dutch Bruynzeel Storage Systems expects to be able to sell its electronic mobile, almost science-fiction-like, storage systems to many more parties than just archives and museums. Up to now, these were the main customers.

Things started to emerge in recent months: the French aero- space company Lisi wanted to store more parts. L'Oréal wanted to be able to store more spare parts for machines. And pharmaceuticals like Novartis and Jansen stored more raw materials. Collot d'Escury: "We appear to be able to add more value than we suspected. "

Bicycle frames that had to arrive by plane from China, car manufacturers that had to close due to a lack of parts, medicine manufacturers who kept a close eye on whether they could still produce. Many companies may not have really thought about it for years, but in 2020 they noticed how vulnerable their supply chains are. Due to lockdowns and travel restrictions, many parts did not get to the right place on time. And immediately, as the first shocks hit the economy from March, analyst speculation about long-term consequences followed: chains would become simpler. Just-in-time delivery was outdated, keeping stocks was the future. Re-shoring was inevitable: production that takes place in low-wage countries would come (back) to Europe.

In May the government called on the cabinet to investigate whether reshoring could be stimulated. But are companies really willing? To what extent are they really busy with their chains in the aftermath of the first corona shock? After all, more stable supply lines, with suppliers spread over several countries, cost money. Let alone bring production back to Europe. Isn't lowering costs much more important?

It is complex, according to a conversations with three consultants. Companies are really shocked, and since March have often been more concerned with their chains than before - increasing stocks, gaining more insight into the chains. "Those are relatively easy buttons to turn," says Rolf Bos, consultant at accountant and consultancy firm PWC. "But I don't see any really fundamental changes yet."

Drastic solutions

The outside world often thinks of a few relatively well-known options when it comes to chain adaptations: reshoring production, purchasing parts from suppliers in Europe. But these are costly, drastic processes of years, which companies are currently consider carefully.

The focus is now mainly on the smaller steps. Such as gaining more insight into your own chains: where do your suppliers actually get their steel or screws? How stable are those supply lines? Calculating scenarios is also popular, says Wouter Lohmann of KPMG. What if that one supplier fails? What if that specific country goes into lockdown? “That is really happening now. You can implement something like this in a month.”

Another option: digitize stock. This way you can always see how large the stock of a customer or supplier is. "And so you can assess your vulnerability," says Bos.

And then there is the stock itself, which some companies are actually trying to expand at the moment. Back with a vengeance, because in recent decades the trend has been to keep stocks as small as possible. “That was good from a cost perspective,” says Jos van Iwaarden of strategy office Kearney. After all, money is "stuck" in your storage space. "Now you get the question: should we go for that last penny in cost savings?"

CEO Collot d'Escury of Bruynzeel (about two hundred employees) lists the industries that asked for them help in recent months: luxury drink brands such as Moët & Chandon, Hennessy, Remy Martin. Hospitals that wanted more storage capacity for the storage of medicines. These are companies that noticed, e.g. that 'labels and caps' from Asia were less readily available. Investing in extra stock is then relatively easy: Bruynzeel makes advanced, mobile cabinets in the factory in Panningen that do not require expensive and slow business expansion.

Supplier went bankrupt

Funny enough, Bruynzeel, as a manufacturing company, did not completely escape the supply problems. In March and April, the company noticed that some parts were difficult to get. Sometimes a supplier could not obtain raw materials. Or was suddenly bankrupt. In the end, the problems weren't huge, but it could have been better. “We now have two suppliers for the top 25 parts,” says Collot d’Escury. This concerns small, but crucial parts such as steel or screws.

In doing so, Bruynzeel actually seeks the extremes. It intervenes in the chain itself. We will have to see how many companies eventually will look for new suppliers, the consultants say. Would those drastic interventions eventually take place? For example, with suppliers located on the same continent? Or recalled production?

The consultants are still skeptical. Searching for a new supplier is a complex process for many companies. A car manufacturer has to test many components extensively against design and quality requirements. How many will really do that? Rolf Bos: "I think that companies will make choices, but not in the intensity that was initially expected."

The question is also how long the necessity will last. "Perhaps those stocks will also perish again, when people will be looking for more efficiency." Companies quickly see mainly costs. Lohmann: " It is simply not easy to measure the impact of a stable chain.”

They are the most reticent about reshoring. Bos points out that many companies will ultimately benefit greatly from production in low-wage countries. The wage costs in Asia may rise gradually, but building a European factory and reclaiming production ultimately remains a very substantial investment for a more stable chain. Van Iwaarden van Kearney: "Moreover, the necessary expertise has sometimes disappeared here, or even never existed."

And even with readily available local production capacity, reshoring often makes no sense to him. He cites the example of governments that wanted to make rubber gloves in their own country during the corona crisis. "Even if there were local production capacity, rubber still comes from the other side of the world." Then you are not really rid of your chain risk.

According to Van Iwaarden companies must primarily go through an acceptance process. “A new shock will be different from that of 2020. Ultimately, companies cannot cover all risks. Then they are simply not competitive.”

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