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Embracing the New Normal

Supply chain strategies will shift toward:

Utilizing technology. Expect a rise in the use of AI, chatbots, the Internet of Things, and robotic process automation to facilitate supply chains. This will be done not only as a pretext to bring manufacturing jobs back from China, but also for purely practical reasons, because bots do not get sick.

Deemphasizing the lowest-cost supplier. Companies typically find the lowest-cost supplier, but if you have a single source, you're vulnerable, and that's what's happening now. This will move companies more toward mitigating risk. That requires making investments. They could stabilize their supply chains by boosting inventories or investing in more diverse ways of distribution.

Localizing more manufacturing and transporting. Dependence on China for their manufacturing has put small and mid-sized businesses in jeopardy. The pandemic exposes the vulnerability of companies that rely heavily on a limited number of trading partners. What will result is businesses will look to restructure their global supply chains, and some **companies will look at localizing more than they would have in the past.** A shift in that direction had already started during the U.S.-China tariff fight.

Planning for future disruptions. The pandemic's impact on supply chains will compel companies to anticipate disruptions in the future and **build in quick responses** to their supply chain. This involves a process called mapping, in which companies engage suppliers in order to better understand their sites and processes. It's imperative for businesses running a global supply chain to be in the know about news that could cause disruptions. **You have to be proactive and not reactive.** Knowing where the disruption will come from and how that will impact their products allows companies lead time and the ability to create a mitigation strategy.

—Hitendra Chaturvedi, Professor, Supply Chain Department,
W.P. Carey School of Business, **Arizona State University**