

Supporting manufacturers through a time of change

By [Christopher Veerasamy](#)

7 Jul 2020

Manufacturing is a key driver of job creation and national economies in general. But a component of manufacturing that is often taken for granted is supply chains - the global logistics and transport networks that get manufactured goods from factory to market.



Christopher Veerasamy, Senior Manager, Automotive, Sales at CHEP Sub Saharan Africa

Manufacturing has been fundamentally disrupted by the Covid-19 pandemic. But as economies limp back into action, manufacturers face a great opportunity to streamline operations, localise and consolidate, or pivot into new industries with fresh possibilities.

The agility and resilience of global supply chains is what can make all of this possible.

The automotive sector provides a good illustration of the issues at stake. As a vastly globalised industry, it manufactures cars and components in numerous developed and emerging economies, with more than 25% of vehicle production coming out of China.

Car manufacturing sector

With factories only now easing back into production, transport routes still largely closed, and markets flat to non-existent, the auto sector is beginning to rethink the very structure of the entire industry. This is particularly relevant for South Africa, with our well-established carmaking sector.

The SA government's Automotive Masterplan aims to double the number of vehicles we produce, to about 1,4 million per year, and double employment to 240,000 by 2035. Sadly, the Covid-19 pandemic has also thrown these well-laid plans into disarray.

Global demand for vehicles is predicted² to be down 12%, and with almost 70% of SA vehicles exported into Europe, this will mean fewer shifts at original equipment manufacturers (OEMs) and component manufacturers. The pandemic and the global lockdown have brought home the importance of more agile supply chains, ones better able to handle shocks like Covid-19.

Renai Moothilal, executive director of the National Association of Automotive Component and Allied Manufacturers (Naacam) agrees that despite its negative impact, Covid-19 presents a long-term opportunity for South African manufacturers. "This is a chance to streamline supply chains, to localise and consolidate," he says. "It's a chance to protect ourselves from global supply chain disruptions."

Moothilal also points out that with the expected contraction in motor demand following the lockdown, some component manufacturers and Tier 2 suppliers will look to pivot to other manufacturing.

"Auto-sector manufacturers are accustomed to producing at scale, for wide distribution, to exacting standards. As such, they are well placed to move into current growth areas such as health and safety, medical or food products. They also have the distribution relationships to pivot quickly and effectively to new industries."

Access to alternative suppliers

A more flexible, broader-based supply chain would also likely see manufacturers sourcing inputs and components from a wider range of suppliers, instead of the current "all eggs in one basket" approach. Decentralising is the new watchword, as manufacturers look to source alternative suppliers.

This holds opportunities for producers in other emerging markets, such as Mexico, Brazil, India, and yes, South Africa. Supply chains will then necessarily become more interconnected, but global logistics and transport companies are well able to handle this, with their intercontinental footprint.

The new supply chains will require balancing cost with the reliability of supply. Automakers also need to future-proof themselves so that a similar global shock does not paralyse supply chains.

Another trend that is likely to emerge is a move towards localisation. Cross-border shipping is extremely complex, and often impossible during a global lockdown. Domestic logistics is simpler. It thus makes sense for sectors to be organising along national lines.

This would also dovetail with South Africa's Automotive Masterplan, which aims to increase the local content of production from 39% to 60%.

A potential challenge will be that localisation may see some production moved from South Africa as global manufacturers repatriate production to their home countries to streamline their own supply chains.

Most likely, decisions around this will be taken on the basis of costs, logistics, health and safety and the robustness of the logistics networks. Fortunately, supply chains are fluid in nature, and logistics companies are ready to facilitate whichever shifts are necessary, with the global networks to support them.

Ultimately, the key to survival for manufacturers in the auto and other sectors will be agility and the support of reliable, effective global supply chains that can support this agility.

Global trade will probably never be the same again. Fortunately, global supply chains are versatile and adaptive. As commerce and manufacturing changes, supply chains will do the same, supported by robust global networks, data-driven solutions and the sustainable business models that make it all possible.

ABOUT THE AUTHOR

Christopher Veerasamy is Senior Manager, Automotive, Sales at ~~CHP~~ Sub Saharan Africa

For more, visit: <https://www.bizcommunity.com>