

Bill's Building Blocks

Special K®

For as long as I can remember my breakfast has been a cup of black coffee, a glass of orange juice, a bowl of Special K®, and a slice of toast. “How boring”, you might say as my wife often does. Okay, occasionally I do have scrambled eggs. Over the years other cereals and other brands have taken market share. Lately Special K Original® has not been available in some local grocery stores. I even suffered through a box of the more popular Special K Red Berries®. Low volume packaging choices are being eliminated. Covid-19 has forced many supply chains to grapple with supply restrictions and shortages while trying to serve a market conditioned to endless variety and instant gratification.

From two columns ago as supply chains are restarted... **Second, reorganize the product contents** – This is the organization of inventory locations, reorder points, lot sizes, lead times, and safety stocks in the transformation of raw materials into end products. Most likely there will be some supplier and inventory item substitutions. Iterate to achieve inventory turns that your cash flow can afford.

As supply chains are restarted after Covid-19, every supplier-to-inbound-to-factory inventory item must be revalidated as both functional and able to deliver at pre-pandemic levels of quality and cost. Likewise, every factory-to-midbound-to-distributor and every distributor-to-outbound-to-customer inventory SKU must be revalidated. Where supply no longer exists because of bankruptcy, or has slipped in quality because of skilled worker layoffs, or has risen in price because of trade tariffs and/or constrained transportation, some alternative material must be found. Some are taking the approach of winnowing back product variety through the elimination of certain choices and/or packaging sizes.

There are three types of suppliers: Sole sourced, single sourced, and multiple sourced. In my experience every product having a bill of materials or a recipe with more than few raw materials has at least one that is sole sourced. This material or ingredient determines the product performance and/or its competitive pricing. Consequently, the sole source supplier must be cultivated and protected during the pandemic, otherwise you do not have a product. By definition there is more than one supplier that qualifies as a single source for a material, but for business reasons you chose to work with just one. You could work with the other. And, multiple source suppliers are many as their material is a commodity.

Put your post pandemic effort into sole source suppliers first. The rest you can substitute.

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