

Risk in supply chains differs by industry, new report finds

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A new joint report published today (12 June) by Cranfield School of Management and Dun & Bradstreet investigates the level of supply chain risk faced by European companies with international supplier relationships.

The report uses four key metrics – [supplier](#) criticality, supplier financial risk, global sourcing risk, and foreign exchange risk—to assess overall supply chain risk and provides businesses with a view of trends within their industry sector and across the wider economy. By analysing trends by sector, the report highlights areas for monitoring and consideration in procurement decisions.

Analysis indicates that there are significant differences across sectors, requiring varying risk management practices across industries. The construction sector reduced its supply chain risk in Q1, while transportation saw an increase across all four risk metrics, including a 20 percent increase in reliance on key suppliers. When added to data from the previous quarter, this marks a 62 percent rise since the beginning of October 2017, suggesting the sector as a whole might benefit from more systematic risk assessment in supplier selection.

Global sourcing risk – the risk posed by country-wide factors on the predictability of export payments and investment returns – rose 10 percent between Q4 2017 and Q1 2018, thanks to significant increases in the manufacturing (12 percent), transportation (18 percent) and wholesale sectors. This indicates greater exposure to high-risk countries

and to fluctuations in the global market place, potentially due to continued outsourcing and offshoring to low-cost economies.

Overall, reliance on critical suppliers increased by 10 percent over the past two quarters; 3 percent in Q1 2018 and 7 percent in the prior quarter. The manufacturing sector recorded the lowest supplier criticality risk for Q1 (36.6 percent) and retail the highest (75.2 percent), suggesting a trend towards partnership relations rather than transactional ones.

Dr. Heather Skipworth, senior lecturer in Logistics, Procurement and Supply Chain Management at Cranfield, said: "Supply chains are becoming longer, more fragmented and increasingly complex, increasing the level of risk exposure for businesses. Alongside natural disasters and geopolitical events like Brexit, there are also other – relatively low profile – events like fluctuations in exchange rates, changes to rules and regulations, or the bankruptcy of a key supplier that can impact organisations' supply chains."

Analysis was carried out using proprietary commercial data supplied by Dun & Bradstreet, which included around 600,000 anonymous transactions between European buyers and their suppliers located in more than 150 countries worldwide.

Chris Laws, global product leader for Supply and Compliance at Dun & Bradstreet, said: "Procurement teams can use data and analytics to more effectively manage supply chain [risk](#) and protect the reputation of their business. Having access to a single, comprehensive source of information on supply [chain](#) relationships can help businesses identify potential areas of exposure, take action to minimise any negative impact, and plan ahead to recover from events outside of their control."

Provided by Cranfield University

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