

# Supplier risk evaluation in international trade: challenges and solutions



Supply Chain management is currently facing a various number of challenges not only coming from Covid-19 pandemic but also from changes in international trade and new requirements generated by different markets. It means that the overall Supply Chain is looking for alternative and more efficient ways in approaching all the different steps. In any case, it's a fact that Covid-19 pandemic is accelerating and stressing trends already in place in the last years.

## Why it's necessary to face challenges related to supply chain?

An IBM study stated that 50% of the value (and costs) of a company's products or services is in hands of outside suppliers, so mistakes in suppliers' identification and assessment, quality assured, disruption risk evaluation, reliability can generate negative impacts on company results.

Supply Chain Challenge can be split into three different areas:

- Historical and ongoing challenges
- Challenges related to 2020 Covid-19 pandemic
- 2021 and beyond development



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- Historical and ongoing challenges

Avoid disruption is the most important topic and can be related to several issues, like: errors in logistic networks, equipment failures, part shortages, customs delays, cyber attacks, inclement delays, political disruption and unpredictable events. Each of them can create a domino effect potentially affect all business ecosystem. At the same time, over 85% of Chief Supply Chain Officers have revealed it's already increasingly difficulties to predict and proactively manage disruption and risk (Digitally Perfecting the Supply Chain Report by IBM). Then, put in place a process able to respond quickly and, at the same time, work to define a better supply chain are two crucial aspects to avoid inefficiencies with impact on suppliers-customers relationships. Still from Digitally Perfecting the Supply Chain Report by IBM, around 84% of Chief Information Security Officers confirmed a 'lack of visibility' across the supply chain as a big challenge to face.

- Challenges related to 2020 Covid-19 pandemic

During 2020 main challenge to face was keeping operations on track in spite of the COVID-19 and all its attendant disruptions. BCI Supply Chain Resilience Report 2020 underlined that only 49.5% of the companies considered their plan already in place as sufficient to face pandemic. In addition to health crisis, also trade disputes and economic pressure determined an economic environment very critical. Customers' behavior continued in the process of being based on worldwide commerce e ecommerce. Finally, supply optimization is required to move towards a more successful flow. Related to this point, considering a study done by ICRON reported that Supply Chain Managers consider major challenges are related to have access to customer data (30%), having the right data available at the right times (24%), coping with unexpected events (22%) and predict market trends (20%).

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- 2021 and beyond development

In addition to 2020 challenges and historical ones, Supply Chain organization has as key words flexibility and resiliency. Also geographical location of the supplier is an important point of discussion, even if BCI Supply Chain Resilience Report 2020 reported that 33.9% of the companies declared to do not move suppliers locally. Some trends are showing that companies are considering to move supplier at regional level instead of at global one but not locally.



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## Higher awareness is the key to face Supply Chain challenges

Some of the challenges previously discussed can be positively win with a better knowledge of each player of the supply chain, both considering existing ones and also futures as well as regulatory requirements.

In particular, area to take into accounts are:

1. Better knowledge of current supplier as don't just assume current suppliers' performances are running as in the past
2. Have onboard new suppliers after having a clear picture of them. This is important to achieve a diversification but done with a high trust level. It's a mistake take on board new suppliers for costs reasons only, it's necessary to evaluate in depth their profile
3. Obtain the right information to be compliant with regulatory requirements excluding in advance involvement in financial and non financial crimes, as it affects results and reputation
4. Identify right countries for regionalization when required and consciously
5. Know in advance if a supplier is exposed or not to cyber attack. A cyber attack to a supplier has a huge impact capacity in continue performing at current production level

Knowledge requirements can be summarized as follow:

Overall evaluation, ownership identification, compliance requirements, cyber risks and country evaluation are crucial to answer supply chain needs and challenges.



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## SkyMinder for Supply Chain needs

SkyMinder, CRIF B2B risk information platform for enabling international trade, provides information about companies everywhere in the world, without any exclusion. SkyMinder solutions are designed to satisfy information needs coming from the complex and fast moving market of supply chain.

Using SkyMinder is possible to evaluate suppliers, both existing, news or potential considering business partners' differentiation positive to minimize risks. Following this perspective, also be updated on changes affecting a company is the right way to take new decisions or revise current one if necessary. Also having a valuable view on Patents gives insight on innovation approach.

Due to Compliance requirements, some checks are crucial to better know suppliers and all supply chain players. First of all identify company's ownership, but also exclude an involvement in financial crimes.

2020 was particularly tough in term of cyber risk attacks: it means it's time to be more accurate in choosing partners and understand if this kind of risk could be present. Then, if it's required to find new suppliers and revise strategy related to countries where they're located, it's also necessary to have an picture about nations in term of opportunities and risk in term of economic development.

In a fast moving scenario like Supply Chain is in which challenges are required to sort out in the most efficient and effective way, have a reliable, worldwide and high-quality information partner like SkyMinder can be a success factor.