Impact of COVID-19 on Supply Chain
Supplier Survey Snapshot 2020
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ABOUT AVETTA
Avetta connects global organizations with 100,000+ qualified suppliers, contractors, and vendors across 125+ countries. We support the continued growth of supply chains through trusted contractor prequalification, safety audits, monitoring, and more. With real results in reducing incidents, our highly configurable solutions elevate safety and sustainability in every workplace.
The COVID-19 pandemic has had several implications for businesses. However, few of them are as consequential as disruptions caused to global supply chains. Historically, procurement and supply chains have always been subject to disruptions caused by external factors and market variables such as tariff wars, rising transportation costs and labor shortage. In the majority of cases, organizations have tried to maintain normalcy of supply chains by depending on backup suppliers or diversifying the supplier base. But, this time things have not been the same. Consider a global health crisis originating in the world’s second-largest economy with the largest manufacturing output, and it’s an entirely different ball game.

Even as companies have started resuming operations across affected countries, the majority continue to reel under resource crunches, cash flow issues, demand fluctuations and other challenges precipitated by the pandemic. The need of the hour is to reassess risk management strategies, keep the communication lines open, bolster technological capabilities and rethink business continuity models.

In order to understand the impact of the pandemic on the extended enterprise and the steps taken by the affected organizations in this recovery phase, Avetta conducted a supplier survey with 406 respondents. The respondent suppliers were based out of the USA, Canada, United Kingdom and Australia and they catered to a range of industries namely:
THE DECLINE IN OVERALL BUSINESS VOLUMES

Over the course of the last seven-eight months, COVID-19 has created massive operational and financial challenges for businesses. And, supplier networks are no exception. Although the full implications of the pandemic are still far for certain, one thing is clear that its economic consequences on suppliers have been dire.

Despite the lockdown our business was deemed critical, so we have continued to work through the pandemic. However, business has been reduced since buildings are empty and hotels and small offices are completely shut down, so lifts are not being used which means few breakdowns and repairs.

– Dominic Wilding, Maintenance Manager, Fujitec UK Ltd. (Lift and Escalator Installation and Repair)

In our survey, 68% of suppliers revealed that their overall business volumes have decreased over the past few months (Figure 1). On the other hand a small percentage of suppliers (12%) stated that their business volumes increased. However, this ended up creating additional challenges for many in the form of sudden spike which was difficult to manage with existing resources.

Figure 1: COVID-19’s Impact on Business Volumes
From a country-wide standpoint, suppliers in Canada have been the worst affected followed by the ones who have their operations in the UK and the US (Figure 2). Oil & Gas, Manufacturing, Retail, Pharmaceutical and Telecom are the prime sectors where these suppliers have been affected the most due to the pandemic (Figure 3).

We work in landscaping, which was deemed essential in our state. Our crews and trucks were still operational which meant that people required to work from home saw the company responsible for the great landscaping they were seeing. The result was a spike in business and a 4-month waiting list just for bids.

- Mark Allison, Founder, Allison Farms Lawn & Landscaping Services LLC

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Figure 2: Q: As a result of the COVID-19 pandemic, how countries have been affected?
Figure 3: Q: As a result of the COVID-19 pandemic, how has your business been affected?
DIFFICULTIES IN CONDUCTING BUSINESS PREVAIL

No crisis has ever been an isolated, neatly-contained incident and the COVID-19 pandemic is clearly exceptional by any given standards. It has come with extreme levels of difficulty and uncertainty. The majority of the suppliers interviewed in the survey witnessed significant to moderate difficulties in operations during this phase (Figure 4).

COVID-19 shut down 2/3 of our projects from March 23 until May 7, 2020. We had a few essential projects that continued, however, we had issues getting staff from all trades to report to work with all the unknowns of transmission and how contagious the virus was. Early on PPE suppliers were hard to get and navigating what seemed like constantly changing procedures was difficult. At this point we are all back to work, but we have adapted the way we do business, there is no one rule fits all anymore.

– Brian Kuhlman, Field Operations Manager / Project Manager, Dan Vos Construction Company

![Figure 4: Q: Please rate the overall difficulty that COVID-19 has caused for your business?](image-url)
Interestingly, suppliers with 200-249 workers have experienced significant operational barriers compared to the ones with a smaller worker pool (Figure 5). This also explains why the number of suppliers facing operational difficulties is relatively higher in industries such as Food & Beverage, Oil & Gas and Pharmaceutical that tends to depend on larger and geographically distributed supplier networks.

One of the new challenges is materials that we are not accustomed to waiting for are in limited supply and are delaying project completions.

– Brian Kuhlman,
Field Operations Manager / Project Manager, Dan Vos Construction Company

Figure 5: Q: Suppliers with larger worker base facing more operational difficulties
UNDERSTANDING THE HEADWINDS

According to the survey, the major difficulty faced by suppliers over the past few months was limited to no work, which explains why the majority of them witnessed a slump in business volumes in the first place (Figure 6). Layoff/staffing issues and social distancing at work were also reported as key challenges hindering business continuity for suppliers.

"The COVID19 control protocols implemented by the Oil Sands majors led to thousands of Contractors who were deemed “non-essential” being laid off. We ended the last fiscal year with a $25,000 loss and I expect the end of this fiscal year will be much worse, given we billed 90% less than we would in an average year, so far. If business revenue does not pick up by April 30, 2021, the end of this fiscal year, I am going to collapse our company and try to sell off the assets."

– Peter Burn NCSO, Operations Manager, ABG63 Ltd (Multimedia company providing professional video production to the Oil Sands operators and suppliers since 1999)
It is difficult for suppliers and contractors working across high-risk zones or confined worksites to follow social-distancing rules. Additionally, during the initial phases of the outbreak it was seemingly challenging for suppliers to get their staff report to work considering how contagious the virus was.

The pandemic did create confidence that we can “work from home” and be mostly successful. While it was mostly successful, it was difficult. As a third generation family construction company with 95 employees and an average seniority of 14.3 years we have worked with each other most of our lives, so not to see each other except for a “Zoom” call did not fit with our culture and way of life.

– Brian Kuhlman,
Field Operations Manager / Project Manager, Dan Vos Construction Company

Figure 6: What are the top three (3) difficulties your business currently faces?
RECOMMENDATIONS

As the global business landscape gradually starts normalizing, the following are some of the key steps that suppliers may consider taking in order to mitigate the difficulties they currently face:

MAINTAIN STEADY COMMUNICATION WITH THE HIRING ORGANIZATION:

Communicate with your client and ensure that there is complete clarity on both sides regarding any operational challenges that come to the fore. Remember, every business have been affected by the crisis in some way or the other and each is learning to respond and adapt to the situation. Reach out to your client if you need support and collaborate closely with them to support mutual needs and alleviate the existing issues.

ENSURE THAT YOUR PERFORMANCE IS UP TO THE MARK:

Given the current crisis, hiring companies will be skeptical about awarding future contractors to non-performing suppliers with no clear contingency plans, safety procedures and workforce planning. Ensure that you are taking the right measures to hit the right standards, when it comes to overall performance.

BUILD ON CAPABILITIES FOR LONG-TERM VIABILITY:

Ensure that you have the right business continuity plan to swiftly respond to the disruption and adapt to it. Thoroughly communicate your working capital position during this period of crisis to help your client understand your financial viability. Last but not the least, invest in technology and resources to bolster your workplace safety and compliance management programs and employee readiness.
For further information on how to prepare your workplace post COVID while managing employee safety, visit https://www.avetta.com/covid

About Avetta

Avetta connects leading global organizations with more than 85,000 qualified suppliers, contractors, and vendors across 100+ countries. We support the sustainable growth of supply chains through our trusted contractor prequalification, supplier audits, insurance monitoring, robust analytics and more. With real results in helping companies reduce TRIR, our highly configurable solutions elevate safety and sustainability in workplaces around the world—helping workers get home to their families each night.