

Having Supply Chain Issues?

by Jesse Getz

It's amazing how quickly the supply chain has become a global talking point. Everything from potato skins to pickup trucks are in short supply and high demand. We've all seen the recent pictures of the seventy-plus cargo ships anchored off the coast of Long Beach, California, carrying tens of thousands of containers. First, let me preface by saying I'm not an economist, but I believe there are many issues to each product category shortfall. I'll save the discussion of why and how this happened for another time and focus on how we can get through this dilemma.

The first thing we should expect is that all the information we have today will change. Not only have the previous lead times changed from four weeks to twelve weeks, but we also really cannot rely on the twelve weeks happening. In some cases, items that had a thirty-day lead time in 2019 now have a six-month lead time in 2021.

Another thing to consider is the price quoted to our customers. Should we quote a price with projected manufacturer markups that may happen before the part arrives or should we quote the standard price now and let the customer know we may not be able to honor that price? For example, we have a trailer manufacturer that will quote us a price today, but that is the price if delivered today. In four months once the trailer is built, they expect us to pay the retail price at time of delivery which includes all price increases they have had since the time of order.

Inventory

Because the constant has changed, what can you do internally to prepare? Just so you know, this will become an inventory nightmare. If you haven't already, you need to make sure you have established a minimum inventory quantity you want to keep on hand. Make sure an appropriate lead time has been assigned to each item and order the



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item accordingly. You might want to consider giving vendors annual purchase orders with quarterly shipments, as doing this will take some of the guess work out of your hands and give the vendor a heads-up on quantities and ship dates. In extreme lead-time cases, you might have to consider purchasing parts from alternate vendors.

While you wait for parts to arrive, you need to prepare for upcoming jobs. If you have five kitchen suppression jobs sold but

you are waiting on various parts for all five jobs, set the available parts aside or, at minimum, stage those jobs so that they fall outside your normal inventory. When the missing parts arrive, and you are ready to perform the install, you don't want to find out that parts you had when the job was sold have since been used for another purpose. Make sure you pull any inventory you have staged out of your stock inventory count. If you don't, there's a good chance that once all your

backorders have been shipped or installed, you could be below your minimum quantity on hand, resulting in the next batch of orders getting delayed.

Another option, if possible, is to install what equipment you can prior to getting the entire parts list. Using the five sold kitchen jobs as an example, if you have all the automans but none of the tanks, what can be done with the parts you currently have? Of course, this method will require a second trip to finish the installation, so make sure you evaluate each job accordingly. Some questions you may need to consider: Do you need to keep your installer busy doing something or should you send him home with no hours? Is there enough profit in the job to justify a second or third trip? When all the missing parts arrive will you be so far behind it will take overtime or weeks to get caught up?

Vehicles

As service-based companies, we know that a fleet of vehicles is a must. If you've driven by your local car dealership and have seen the lot barren of vehicles or have seen the images of acres upon acres of factory pickup trucks parked, you know we have a global chip shortage. From what I understand, it may take two to three years for this problem to get resolved. Ford has also floated the idea that car dealers in the future may not be stocking new units, and vehicles will be built to order. The reality of today and the ideas for the future mean one thing—less inventory for the consumer.

Because of this, we are being forced to keep vehicles in service longer than we have in the past. We need to expect the maintenance on those vehicles to increase. Instead of budgeting for a new lease, be prepared to spend those dollars on repairing the aging fleet. We will need to factor in more downtime because of those repairs. One thing to consider is whether a spare vehicle will be needed or if you already have one, maybe

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invest in keeping a second one. The last thing we want to tell a customer or technician is that we cannot perform service because we don't have transportation to the jobsite.

When it comes to acquiring new vehicles, we must take a much longer look ahead. We should now be looking twelve to eighteen months ahead to determine (best guess) what our needs will be, which is a dramatic shift for most of us. Not only do we

need to plan for vehicle replacements but also look into that crystal ball and see what vehicle needs you will have due to growth or because that deer ran out in front of your tech and totaled his truck. Yes, he can use that spare you have sitting around, but will it last six to twelve months until a replacement arrives?

In closing, the most important thing we should do is communicate with our customers. Don't over-promise a delivery date, and keep them updated as you learn new information. Unfortunately, I believe this is another new sad reality we will have to endure for some time. ■

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