Informita News

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Vaccines

What are the supply chain lessons?

Getting vaccines in peoples' arms is proving to be a tricky business, even for those countries with plenty to spend. So what's making it all so complex? The first problem is manufacturing the vaccines. The production of vaccines is known to be a temperamental process, where after a lengthy production process a batch may be spoiled for several reasons that can be difficult to control. We are now trying to ramp up production of vaccines to orders of magnitude larger than has ever been done. It has taken time to get new facilities up and running and demand continues to run far ahead of available supplies. Then there is packaging. Vaccines are stored in medical grade glass vials. There are only a few companies that make these glass vials and again they are ramping up capacity and struggling to meet the short term demand. We have heard quite a lot about the need to super chill the Pfizer vaccine, but all the other vaccines need to be reliably refrigerated too. Power cuts and electrical faults can cause the precious vaccines to spoil. The vaccine manufacturers seem to have done a decent job designing the supply chain up to the point where they deliver to their customer. But there have been big problems in the final part of the supply chain where local health infrastructures have lacked the competence and experience to effective distribute vaccines to specialist centres, hospitals, pharmacies and doctor's surgeries. There has also been a shortage of personnel to deliver injections and in some cases there has been a shortage of syringes and PPE for the people ready to inject the vaccines. There are a lot of elements to get right in a very long and complex supply chain to successfully roll out these vaccines. With some exceptions, we are seeing that very few actually attempted to map out the entire end-to-end supply chain so that these problems might have been foreseen. But that is not unlike most private industry.

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Payment Term Laws

Not good at correcting bad behaviour

For more than 20 years we have been seeing legislation introduced in various European countries to try and tackle late payment of invoices, particularly to smaller businesses. The broad approach has been to limit allowable payment terms and then allow the supplier to charge interest for late payment. The problem is that it hasn't really worked. With the exception of Sweden and some Finnish companies, it is not a normal business practice to charge interest for late payment in Europe. Many suppliers don't know that they can and those that do are afraid of upsetting their customers. But there are other problems. Many large companies in The Netherlands, Germany and Denmark have ignored the various pieces of legislation and imposed terms longer than the 60 days that is generally permitted. And no-one is holding them to account. The politicians answer is to make the laws even tighter. There are moves in some countries to force large companies to pay smaller suppliers in 30 days. But without any enforcement of the current laws, why should be expect any new laws to be successful. In the UK, there is the voluntary Prompt Payment Code. It has been tightening the noose on some late payers. They have been naming and shaming companies since 2019, but the impact is very limited. Worse still are the southern European countries, who all have tough laws on the books limiting payment terms to 60 days. Unfortunately, these laws have been completely ignored. France probably has the toughest laws on payment terms and late payment, but compliance is at best patchy. The last 20 years has seen a series of well meaning but poorly drafted pieces of legislation that almost none of the authorities want to enforce. Wouldn't that suggest that a new strategy is required?

Cash Forecasting

Spreadsheets or Data Mining?

A lot of work can go into cash flow forecast inputs. It can be difficult to understand or control the methods used in various affiliates for how the numbers were put together. Also this kind of process can consume a lot of resource, especially dealing with the most volatile part of most forecasts—receivables. The alternative is to use the latest data mining tools to collect the data automatically and then to generate a forecast using a statistically based algorithm. The clear advantage of such an approach is that you can significantly reduce the amount of time that individuals across the organisation have to spend forecasting. The thing to be careful of is that the quality of the forecast may suffer. A statistical forecast relies on quality data emanating from quality processes that allow the forecast algorithm to accurately predict the future. A poor collection process will lead to confusing data where payment patterns can become extremely erratic. But there is good news. It is now possible to use this erratic data to understand the driver of the problem. Therefore, almost all large companies can benefit from a statistically driven cash flow forecast. To find out more go to www.bonavido.com or call us directly.

2022	% of Total Sales	2023	% of Total Sales	2024	% of Total Sales	2025	% of Total Sales
$ 2,110,698	16%	$ 3,878,316	14%	$ 4,275,798	11%	$ 4,714,188	9%
3,048,374	24%	6,449,112	23%	9,764,703	24%	13,552,789	25%
2,032,326	16%	4,606,526	17%	6,974,751	17%	9,680,583	18%
2,032,326	16%	4,606,526	17%	6,974,751	17%	9,680,583	18%
1,524,245	12%	3,685,172	13%	5,579,775	14%	7,744,413	14%
1,524,245	12%	3,685,172	13%	5,579,775	14%	7,744,413	14%
253,983	2%	460,677	2%	697,488	2%	968,085	2%
50,820	0%	92,135	0%	139,498	0%	193,644	0%
253,983	2%	460,677	2%	697,488	2%	968,085	2%
-	0%	-	0%	-	0%	-	0%
67	0%	73	0%	81	0%	89	0%
$12,831,066	100%	**$27,924,384**	100%	**$40,684,108**	100%	**$55,246,871**	100%
(21,107)	0%	(38,783)	0%	(42,756)	0%	(47,142)	0%
$12,809,959	100%	**$27,885,601**	100%	**$40,641,350**	100%	**$55,199,730**	100%
$ 928,633	7%	$ 1,858,937	7%	$ 2,527,290	6%	$ 3,288,056	6%
103,181	1%	206,549	1%	280,810	1%	365,340	1%
$ 1,031,814	8%	$ 2,065,485	7%	$ 2,808,100	7%	$ 3,653,396	7%
$ 89,859	1%	$ 195,395	1%	$ 284,693	1%	$ 634,297	1%
$ 1,121,674	9%	**$ 2,260,881**	8%	**$ 3,092,793**	8%	**$ 4,287,692**	8%
$11,688,286	91%	**$25,624,720**	92%	**$37,548,557**	92%	**$50,912,037**	92%
$ 4,355,715	34%	$ 9,481,445	34%	$ 13,818,411	34%	$18,768,272	34%
384,469	3%	836,745	3%	1,219,423	3%	1,656,181	3%
1,409,599	11%	3,067,933	11%	4,471,079	11%	6,072,515	11%
-	0%	200	0%	200	0%	200	0%
$ 6,149,783	48%	**$13,386,322**	48%	**$19,509,113**	48%	**$26,497,169**	48%
$ 5,538,503	43%	**$12,238,398**	44%	**$18,039,444**	44%	**$24,414,868**	44%
$ 20,589	0%	$ 44,039	0%	$ 42,739	0%	$ 77,688	0%
(23,679)	0%	(23,242)	0%	(22,781)	0%	(22,300)	0%
$ 5,535,413	43%	**$12,259,196**	44%	**$18,059,402**	44%	**$24,470,257**	44%
$ 1,162,437	9%	$ 2,574,431	9%	$ 3,792,474	9%	$ 5,138,754	9%
$ 4,372,976	34%	**$ 9,684,765**	35%	**$14,266,928**	35%	**$19,331,503**	35%
126%		121%		47%		35%	

International Trade

The difference technology can make

There has been a lot of talk in recent years about how technology will transform the supply chain. There clearly have been great advances in technology such as blockchain, but the impact on general trade has been low. Sometimes it feels like a series of solutions that are looking for an application. That's why it refreshing to see a number of African start-ups that are truly revolutionising their local markets. The two most prominent, Lori and Kobo360, allow logistics managers to find drivers and trucks to move their goods around. Some are calling these apps the "Uber of trucks". These apps are proving very popular since they connect all the relevant people and assets in a very simple way. At last, we are seeing practical applications of technology that will really change the supply chain.

Costa Rica: Stable

The Republic of Costa Rica has had a more peaceful recent history than almost all of its neighbours since abolishing its military forces in 1948. Since then there has been a continuous series of transfers of power after peaceful elections. Costa Rica has good healthcare and education systems, by regional standards, and has proven to be a popular place for foreign investors. Although it enjoys the best standard of living in Central America, 1 in 5 still live below the poverty line. The country has established a number of Free Trade Zones to encourage foreign manufacturers and there are no significant barriers to the movement of cash. Almost 70% of the economy is driven by the provision of services, including financial outsourcing and software development. Costa Rica is also very up on environmental protection and intends the country to be carbon neutral by the end of 2021, continuing policies that began in the 1990's. Ecotourism is a big draw for foreigners who come to Costa Rica. Although many complain of aging infrastructure and the slow pace of bureaucracy, Costa Rica has continued to position itself as a safe, peaceful and stable place to do business. It helps that there are many beautiful places to explore.

Brexit: Now it's done

It has now been 2 months since the UK and the EU trade agreement came into force. There were many predictions of doom from the Remainers. They forecast that jobs would be lost, the UK fishing industry would face collapse, paperwork would explode for exporters, the Irish use of the UK land bridge to Europe would present huge difficulties and that the UK car industry would face big logistical trouble. Actually it has been slightly worse. The ports on the English Channel have faced chaos since neither the British or French customs authorities had their new customs processes in place, many companies simply failed to prepare for the additional paperwork that everyone knew would be involved and, because the politicians were focused on a crazy game of chicken, there was almost no time for many parties to finalise their preparations. But supply chains can be more flexible than you might expect. Most Irish trade with mainland Europe now completely bypasses the UK and consumers are changing their buying habits to avoid customs procedures. Life goes on. But the whole Brexit process is a lesson in how not to implement change.

Cash

Vanishing?

According to central banks, the demand for notes and coins continues to rise year on year. In fact, no-one knows where large amounts of cash really are. The Federal Reserve can trace only 15% of all Dollars issued and the Bank of England can only account for about 25%. So where is all this cash. Some of it will be in people's homes. Particularly those who feel uncomfortable with digitised means of payment. But the vast majority is estimated to be used by criminals and black marketeers across the world. It is also interesting that the demand for digitised methods of payment is also rising and that includes everything from online banking, to credit card usage and the use of cryptocurrencies. Banknotes are difficult to produce and are expensive to print, store and manage for central banks, retail banks and businesses. But now we are finding that the use of physical notes and coins is facilitating criminals. It was for this reason that the ECB stopped issuing €500 notes several years ago. The Federal Reserve tells us that the most common banknote in circulation is the $100 bill and that they estimate that 80% of these notes are held outside the United States. Equally, it is known that criminals prefer high denomination banknotes since they are easier to smuggle. It seems that there is a very obvious case to end the use of banknotes globally.

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