

Driving change: Adapting to the evolving automotive supply chain

Intro:

I'm Chris Riback. This is Logistics Live: Conversations & Insights on the Global Supply Chain. Quick's new podcast series focuses on logistics challenges, solutions and best practices across a wide variety of industries – from IT and financial services to MedTech and automotive to semiconductors and renewable energy ... and more.

In this episode, Driving change: Adapting to the evolving automotive supply chain – we tackle the historical global nature of the automotive supply chain and potential country-specific, regional and global impacts. What might this mean for future investment in U.S. infrastructure – especially around semiconductors and the ever-growing role of Electric Vehicles? And how do all these factors affect everything from manufacturing to the supply chain itself?

To learn more, I spoke with Arturo Corona, Quick's Regional Sales Manager, North America. We began by first learning a bit about that experience and expertise...

Arturo Corona:

I recently joined the Quick Team. I'm a veteran of about 30 years in the logistics industry, spanning from operations, delving into sales in the last 15 years, developing solutions for clients and also focused on the automobile industry and all its tier one and tier two supply chain supporters. So I'm excited to be part of this team and looking forward to a bright future with quick.

Chris Riback:

You talked about your focus on the automotive sector. Can you share some of the things that are happening today, particularly as we think of what the key challenges might be for companies in that sector?

Arturo Corona:

There are some challenges that are coming up for the automobile industry. One of the magical things about the automobile industry is that its supply chain was really built on a model of global supply chain. We now know that that model is very, very susceptible to any disruption, whether it be a virus or whether it be war or whether it be catastrophic events. So what you're seeing now is more of a nearshoring effort to bring some of that closer to our hemisphere. That means that the challenges are that those countries that are now being looked for support don't really have the infrastructure to provide that support. So that creates chaos and disruptions. That's where quick comes in. They fill in the gap that normally does not exist when things are running smoothly. And as we know, there's a recent events that all it is required for disruption in the supply chain is one event. So in this particular case, quick is really positioned in a great place because of its network to supply that kind of response. So chaos is I think going to be the norm in our world until we get settled. But that could take years, that could be decades to do. So it's exciting for a company like quick to be in that position. And it's also exciting from a perspective of a new paradigm, new supply chain paradigm. So exciting to be here.

Chris Riback:

You mentioned the virus and other challenges. Is the virus still creating that chaos today? And were there, I don't know, lessons learned during the 2020 when things all went crazy?

Arturo Corona:

Yes and no. So the virus I don't believe is going to be an occurrence that maybe happens every century. I think we're expecting to have it. Well that's a good thing because we've already created mechanisms to respond to it. But what the virus did create was an awareness that the supply chain is too frayed and too susceptible to things of this nature. So that includes, again, national disasters, political turmoil, like what's going on right now in the Gaza on all those things have an effect on global supply chain lines. That's why you see the nearshoring effect, which is a good thing. But at the same time it provides social challenges because as I mentioned, infrastructure needs to be in place in order to sustain the demand that the market has, especially for automotives. And now that we see such an emphasis on EVs, that also requires a different response.

Chris Riback:

Have we learned our lessons?

Arturo Corona:

Yes, we've seen the results of those lessons. Absolutely. Nearshoring is an example. At the same point, it has not been fixed. In other words, you're always going to have disruptions, we're always going to have delays. We're always going to have a shuttle or a supply chain issue. But the nearshoring and maintaining it in this hemisphere and key selected markets that are stable politically like Germany, Spain, Italy, Romania, all those are stable partners in the supply chain. So I believe that that trend will eventually get to a point where we become more stable. But human nature is what human nature is. It's uncertain at times. So I believe in the next few years we're going to see that kind of instability, that inability to supply things at the right time. And especially in an industry specifically automotive, that is a just in time type of scenario. You're going to find opportunities to fill in those gaps, whether it be a courier hand carry, whether it be air freight next flight out or chartered

Chris Riback:

Going back to what you were sharing about Nearshoring and the infrastructure needed, can you share a bit more about that of where this is happening? What is the timeframe? Is this just sort of going to be happening all the time sort of thing?

Arturo Corona:

Nearshoring has been going off for quite some, but it's typically based on industry. So there are strategic reasons for maintaining certain products closer to home. Since the nineties, that paradigm has changed significantly. We see it from a manufacturing standpoint here in the United States. The area that I'm in right now was notoriously known for millwork textiles that transitioned to the Caribbean to Central America and then ultimately made the big leap to the People's Republic of China because of the events that have occurred and because of those disruptions that were catastrophic. You see now a poll that's going to affect largely Mexico. Now you have to take a look at it from a demographic and a geographic standpoint. Mexico does have the people to sustain that kind of manufacturing growth and the geography really works well. It's neighbors to one of the largest economies in the world.

Arturo Corona:

But with that said, the infrastructure is still at an insufficient level, but that could get remedied with investments and with technology and with a lot of help from the United States and Canada and Europe for that matter specifically Germany. So those challenges exist, but they're good challenges and ultimately that's going to have an effect on the type of supply chain problems that we're going to have in the future. But at least it's closer to home at least. It's not going to be an issue where you have a transit time of 30 to 40 days to get into the United States. And if you have delays in manufacturing, then you can talk about a hundred days, 150 days. And that for a JIT, for a just in time environment is a mortal wound. So those are the challenges, but they're workable. There are challenges also with political instability.

Chris Riback:

Talk to me more about the instability – where is this happening?

Arturo Corona:

Mexico does have a history of being somewhat unstable when it comes to their elections and their political climate and also the narco question, the trafficking question. But all those things normally are remedied with investments. And I believe that that's going to change the landscape of Mexico the way the United States deals and partners with Mexico, very similar to the one that we have a relationship with Canada. So I think that within the next decade you're going to see a dramatic shift and focus on our hemisphere and we're going to mitigate the dangers, not eliminate, but mitigate the dangers of some of the supply chain issues that we've had before in the past with the People's Republic of China. But again, there are other markets of Korea, there's other markets like Taiwan that are heavy semiconductor environments that you're going to start to see the same thing.

Chris Riback:

What changes do you see coming?



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Arturo Corona:

They're going to invest more in the United States, more automation, more robotics, mitigating certain costs. And also there's an adjustment from a perspective of the population here in the United States. We're going to get used to paying a little bit more, but at the end having a more secure supply chain. So those are the exciting changes that are coming, but there's always going to be room and necessity for a fireman, right? There's always going to be a fire. It all really depends on the partner you select and we're in a great position to be one of the leading providers of that kind of service.

Chris Riback:

So going back to chaos and mitigating things that are unexpected, and you touched a little bit about this. So keeping production moving clearly a top priority. Can you share a bit more about quick's different services? How are we helping people when they don't expect the unexpected?

Arturo Corona:

Being a veteran of about 30 years in the logistics industry, service industry. So in other words, working for freight forwarders, working for ocean freight providers in that nature warehousing, there's a lot of changes that have benefited our market or our industry, our service industry. But again, I'm going to go back to an architectural maxim that says form equals function and really depends on what you are built for. So I can be an ocean freight provider, but yet I don't have a network that responds quickly or has a readily available fleet in order to have a delivery done within a blink of an eye. So quick is designed specifically for that to respond to that. So what modalities would that be? Well, it's not ocean. So it focuses predominantly on air freight. It's retrieval from the airline retrieval and clients at origin and delivery white glove specifically to a customer's needs.

Chris Riback:

Is there an anecdote or little mini case study that you could share? Maybe how we put all of this into action for all the reasons that you've mentioned before of what our client's needs and why they come to us?

Arturo Corona:

So one specific scenario was receiving a phone call at two o'clock in the morning about a vendor in Italy that is shutting down and that we need to make that pickup immediately in order to make a line shut down, not occur. In other words, a line for a specific auto manufacturer was about to be shut down because some components were faulty and the only remedy is to have it hand carry out of a facility in Italy over to Detroit. Having the network and having that network be responsive to it is the genius in all of this. So having an aligned agent or representative or network partner in Italy that has the ability to respond on time and have the relationship with custom officials, have the relationship with the manufacturer and be able to negotiate with them, a remedy really works out.

Arturo Corona:

And in this particular case, being on the phone with Brazil, which that was basically the center that was controlling that logistics transaction and being able to then reach out and have an answer, physical answer of solution to weaker we could provide really made this impossible thing possible. So initially the concern was, my God, can you make this happen? It's Friday, we know the way Italy works. It's like they're already celebrating the weekend to one that says, we have a signature for you. Does this satisfy what you're looking for? Yes, it does. But then comes the hard part, making sure the agent picks up on time, communicates, delivers to the airline, does the customs clearance, acknowledges departure, and then you track it all the way through until destination and from destination. It's not over yet. Being able to negotiate and talk with the airline, get customs cleared, then shoot it with a hot shot to the particular plant that requires it and all make it happen without the customer really having to follow up is satisfying.

Chris Riback:

So what are the attributes that a logistics provider has to have to make this all happen?

Arturo Corona:

So that particular case was an excellent example of making sure we had the right partners, making sure we communicate and have the vehicles to communicate and having the assets in country to make the last leg happened, sustained right to the right address, have the POD signed off and be able to let the customer know that everything they paid for has happened. So that's an example. And also it's an example of the global nature of what we're talking about. We're talking about moving components from Italy to Detroit controlled by a Brazilian logistics division that had responsibility for that particular component. So you had this dynamic, beautiful global transaction that we made seamless, but it's not really seamless, but you have to have the network in place. That's why I mentioned that design equals function. So you have to design it if you're going to sustain that kind of response. And it has a certain cost to it, it has a certain value to it.

Chris Riback:

When you were mentioning EVs, how is that impacting the supply chain, how we have to help and support this growing area?

Arturo Corona:

Absolutely. EV impact on the automobile industry is a unique one. One, it poses a challenge because EVs don't require as many components as traditional automobiles. So the supply chain is considerably reduced. That means the requirement for a tier one, tier two supplier very much reduced. But they certainly operate on a JIT environment. It is very built to suit. So any deviation, any disruption will cause something catastrophic. It also poses a different challenge because EVs require different components, whether it be batteries that require providers that can carry lithium and are experienced and that kind of dangerous product is required. And the same thing goes for the lift. In other words, those battery packs are considerably heavier than what you find inside your car. So it does require a significant difference in the pool of vendors that you have that are able to carry those to sustain them different price structure.

Arturo Corona:

So it's a good thing for the automobile industry because it reduces the requirement to maintain a myriad of tier one suppliers and tier two suppliers. But it's challenging because those components require different resources to sustain production. So it really is one that comes down to, you have to be geared towards EVs, understand them, understand some of the components that they need. And we are in a good position because we have experience with moving lithium batteries, for example. We have experience with moving JIT type of environments. It's smaller components. It's smaller equipment. So yes, we have solutions for that. And also EVs have a need for technological transfers. So in other words, if you have a fantastic track and trace system, that's API connected, a lot of these manufacturers are looking for that. So in this particular case, yes, streamlining the inventory list of components required to manufacture one, but it's also afraid with delays because there's so many disruptions in the actual core supply chain, front door, open these components.

Arturo Corona:

The EV market has the potential of creating some disruptions. Again, only the future will tell, but because of their own internal supply chain requirements when it comes to manufacturing, there is the specter of that possibility. But we're in a good position to support, especially in the countries that we're talking about when it comes to support for EV components, batteries here in the United States, being able to support a lot of local vendors that are into molding and that nature of the business. So it's going to be an exciting time with the EV growth and a continued EV growth and I believe that we're in a position really to support it across the globe.

Chris Riback:

What are the key takeaways you'd like listeners to know about strengthening their supply chain and being prepared for the unexpected?



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Arturo Corona:

So you have to be built, trained, have the knowledge to sustain that and to select the right partners, to select the right airlines and to be brutally honest with clients as far as what can be achieved and what can't be achieved. Normally we come across very typically impossible scenarios that we can make possible, but we also have to be very clear that there's certain things that the best solutions might be slightly off mark when it comes to what their expectations are. But having that honest conversation really requires having that pool, all those components from a technological standpoint, from a being backed by one of the largest freight forwarders in the world. By having the volumes, by having the human knowledge to select the right routing, to hit that particular delivery time and to have that relationship and then be bold enough to say, "We can make that happen."

Outro:

That was my conversation with Arturo Corona on global logistics and the automotive industry. My thanks to Arturo for joining and you for listening. For more information, visit our website at quicklogistics.com.