Case Study
Supply Chain Risk Management

Internationalization in purchasing means tapping into the potential and avoid risk.
CHALLENGE
Kardex has made it its goal to further professionalize and internationalize its procurement. Globalization of procurement always opens up opportunities and carries high potential - at the same time, greater risks arise through new markets, increased complexity in the supplier structure and new supply chains:

- Safeguarding supply in the global procurement environment on a sustainable basis
- Clarity and transparency along the entire 1-n tier supply chain
- Monitoring of all types of risks, and assessment of the impact in a risk situation

SOLUTION
riskmethods’ Supply Risk Network allows Kardex to monitor all supply chains worldwide. In this, not only supplier risks are taken into consideration. Kardex also includes countries, locations and important hubs (such as the Suez Canal) in risk monitoring. Every one of these “risk objects’ is monitored and assessed around the clock in terms of viability, delivery, market and costs, as well as image and compliance, i.e. all relevant types of risks, such as natural disasters, compliance, CSR, political risks and financial indicators are also integrated.

BENEFITS
Thanks to the Supply Risk Network, Kardex first receives basic information on all latent risks for all suppliers, and production locations and countries. Based on this knowledge, accurate analyses can be created and preventive measures implemented. Second, Kardex benefits from riskmethods’ early warning system. In a risk situation, an alert is simply generated via email or via a smartphone, allowing for a proactive response and aversion of loss through supply disruptions, image damage or regulatory sanctions.
Internationalization of procurement enables organizations to realize competitive prices for products and materials. However, this global approach also harbors hidden risks that can quickly lead to supply bottlenecks within global supply networks. Kardex not only aims to exploit new opportunities in the context of professionalizing and internationalizing procurement, but at the same time also to cushion associated risks. As a result, supply chain risk management has gained great importance in procurement.

Kardex uses the riskmethods “Risk Radar” module to monitor its 200 key suppliers, their locations and countries, as well as additional important logistics hubs (such as the Suez Canal). All of these risk objects and the entire flow of goods are clearly displayed in the Supply Risk Network via a world map, irrespective of the complexity of the supply structure.

Kardex follows a comprehensive approach to monitor all risks in the entire supply chain. Different risk categories with a large number of risk indicators are set up in the Supply Risk Network. Kardex assesses and monitors its suppliers, locations and countries according to the following 4 categories and a total of 57 risk indicators:

- Viability (e.g. financial indicators and economic figures, payment history, employee fluctuations)
- Delivery (e.g. political unrest, natural disasters, transport corridors)
- Market & cost (e.g. currency risks, labor costs)
- Image & compliance (e.g. working conditions, environment, corruption, IT security)

The Supply Risk Network generates the risk information via numerous connected databases, such as Creditsafe, MunichRE NATHAN Risk Suite, World Bank, United Nations Data, or CIA, as well as via riskmethods’ Risk Research, which monitors more than 300,000 online sources. By integrating these different data sources and performing research, an automation level of 95% is guaranteed for information procurement and near real-time information supplied on disruptions that have occurred.

In this way, Kardex ensures that all types of risks are covered, and uses this monitoring both as preventive as well as reactive risk monitoring. The Supply Risk Network provides Kardex with latent basic risks for all risk objects (e.g. location risks due to political or environmental incidents). In an ideal situation, this information can be used to assess, analyze and compare suppliers or locations as early as the business initiation stage, for example, while at the same time determining preventive action steps for risk situations in terms of existing suppliers. In the event of an occurring risk event, Kardex can also react quickly: The early warning system from riskmethods sends a message directly to the responsible buyer via email or an iPhone app. He can see at a glance the event, and which suppliers and locations are affected - and

“We were able to activate the Supply Risk Network within a day, and are immediately benefiting from near real-time risk data.”

Jörg Thürwächter
Strategic Procurement
We aim to tap into new potential by internationalizing our procurement. Using the Supply Risk Network enables us to protect our new, global supply chains from risks of any kind.

Jürgen Schuhmacher
Director of Strategic Procurement

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About KARDEX
Kardex is one of the leading international providers of automated storage and retrieval systems. Customers from all lines of business, such as the automotive, electronics, chemical/pharmaceuticals, trade, engineering and health sectors currently use solutions from Kardex to simplify their intralogistics processes and make them more transparent, and to demonstrably save space and process costs. The intralogistics provider has to date successfully implemented around 140,000 dynamic storage systems all over the world.

As a next step, Kardex will be instrumental in the development of the “Impact Validator” module, in addition to the Risk Radar module, which is already in use. This new module helps determine supplier criticality and the impact in the case of a risk event that has occurred. In this manner, it will be possible to immediately evaluate the extent of the damage, the impact thereof and what expenses can be expected. As a result, fast response with risk mitigating measures is ensured to avert increased risk potential.
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