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What's the Annual Cost of Supply Disruption? About $184 Million

Interos' Annual Global Supply Chain Report reveals that global supply chain disruptions are costing large organizations about $184 million annually.

It doesn't take much to disrupt a supply chain and bring it to its knees. One large container ship stuck sideways in the Suez Canal, a natural disaster like the Great Texas Blizzard of 2020 or a cybersecurity breach like SolarWinds can all wreak havoc on the most carefully laid-out supply chain plans. And while all of these events occurred while a worldwide pandemic was taking its own toll on the world's supply networks, even minor interruptions to supply chain networks tend to add up quickly.

According to the latest *Interos Annual Global Supply Chain Report*, these disruptions cost large organizations an average of $184 million in lost revenue—per company—every year. For the survey, the company interviewed 900 senior IT, IT security and procurement decision-makers in April and May 2021.

The respondents were located in the U.S., the U.K., DACH (Germany, Austria and Switzerland) and the Nordic countries. Operating in aerospace and defense; IT and technology; and the financial services industries, all respondents worked for companies with more than $1 billion in annual revenues, with the bulk of them reporting anywhere between $1 billion and $10 billion in revenues.

Through its interviews, Interos discovered that 83% of those firms have suffered at least some reputational damage because of supply chain problems and 66% are not currently assessing their global supply chain on a continuous basis. Finally, 74% of these companies still rely on manual methods of assessing their supply chains and the related risks.

Interos says the financial impacts of supply chain disruptions vary by region, with the average cost being $228 million in the U.S., compared to $145 million in DACH. Knowing this, Interos says U.S. firms are placing a higher priority on supply chain risk management given the potential negative financial impacts.

It's Not Just Financial

The damage to organizations as a result of supply chain disruption goes beyond the purely financial. "Although a huge financial burden, supply chain disruptions can also lead to reputational damage," Interos points out in its report, which states that four-fifths of companies have suffered some damage to their reputation directly due to supply chain-related issues.

"In many cases, this can lead to a greater financial cost to organizations through loss of confidence and trust from existing customers, lack of new business opportunities and other aspects," Interos states. This, combined with the existing financial burden of supply chain disruption, further emphasizes the pressure that organizations are under to effectively monitor and ensure the robustness of their supply chains.

In assessing the various events that have impacted global supply chains in recent years, Interos says that the COVID-19 pandemic caused considerable impacts, with the vast majority of companies reporting that COVID caused at least some of their business lines or locations to be disrupted.

"This level of disruption may have been the wake-up call needed for many organizations to focus on their supply chains more," Interos says, "with the majority [of companies] saying they are now more proactive and have greater awareness into other long-standing issues."

Stepping Up Supply Chain Risk Management

According to the survey, 59% of respondents agree that that their organizations are more proactive in investigating issues within their global supply chain as a result of the COVID-19 pandemic. And, 53% agree that the pandemic has made them more aware of other long-term issues with their global supply chains.

While supply chain risk management is predicted to remain a top business priority over the next two years, the fact that just over one-third of the organizations surveyed by Interos are "continuously assessing their global supply chains" is a yet another wake-up call for companies.

For even among those organizations that are conducting regular supply chain risk assessments, just 25% are using automated methods to handle the process while the rest rely on manual means of detecting, assessing and responding to potential supply chain risks. "It's likely that the methods currently employed by organizations aren't sufficient to protect against the range of impacts or severity of disruption experienced by supply chain shocks," Interos cautions.