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# Supply chain sourcing dilemma at Arfat Auto

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## Synopsis

Arfat Auto Industries (Arfat Auto) faced a critical situation when a significant fire broke out at the sole supplier's facility, disrupting the automotive battery supply chain. This segment accounted for approximately 14% of Arfat Auto's total revenue, leading the top management to urgently convene to address the crisis. In response, they explored alternative sources for raw materials and considered diversifying their product portfolio to include electric Rickshaw (E Rickshaw) batteries. A potential new supplier expressed willingness to provide raw materials for E Rickshaw batteries, proposing a discounted rate if Arfat Auto committed to both automotive and E Rickshaw batteries. On the other hand, the existing supplier required an additional 15 days to resume production, causing a delay in delivering end products to the market. This delay posed a risk of losing customer base and tarnishing the reputation built over four decades. However, sticking with the current supplier ensured the quality and cost stability of the raw materials. Conversely, the new supplier appeared promising, offering lower prices, but the top management of Arfat Auto found themselves in a quandary, unsure of the most suitable option to choose.

## RELATED PRODUCTS

1) *Teaching Note*: Product Number- CHIRP-18173-TN