



WHY SHOULD YOU CARE ABOUT A CAR CARRIER ON FIRE IN THE MIDDLE OF THE ATLANTIC OCEAN?

Ever since the [toilet paper shortage](#) in 2020, consumers' eyes have been opened to both the complexities and importance of supply chain management in our day-to-day lives. In March of 2021, the [Ever Given](#) rocked social media with its six-day stint stuck in the Suez Canal. Almost a year later, the Felicity Ace is making headlines with its over [\\$400 million fire](#) in the middle of the Atlantic Ocean.

The Felicity Ace and its cargo of Bentley, Audi, Porsche, and Volkswagen products caught fire Feb. 16, 2022. [Read this article from "The Drive" to learn more about the incident](#) and to answer the questions below.

CLASS DISCUSSION:

What is the difference between luxury goods and normal goods?

- How does loss of inventory affect luxury goods?
- How does the loss of inventory affect normal goods differently than how the loss of inventory affects luxury goods?
- How does the loss of inventory affect bespoke (ie. custom made, for a particular user) goods differently than the loss of inventory affects luxury goods?
- Car dealerships are independently owned. How could the Felicity Ace fire affect the individual dealerships whose cars were aboard? the brands as a whole whose cars were aboard?

How does a company prepare for unplanned loss?

- What process(es) / procedure(s) in an organization is / are in place to help avoid risks?
- What can a company do when a loss occurs?

How would a supply chain manager adjust in a situation like that of the Felicity Ace fire?

- What are some of the first steps an SCM would take?
- Who should an SCM contact outside of the company?
- What internal departments should a SCM be working with?

RESOURCES

[Toilet Paper Shortages, Empty Shelves, And Panic Buying: Just How Bad Was Grocery Service In 2020? | Forbes](#)

[Ever Given Container Ship That Blocked Suez Canal Sets Sail After Owner Pays Compensation | WSJ.](#)

[VW Fears Most of Its Cars on Cargo Ship 'Felicity Ace' Are Beyond Salvage | Insurance Journal](#)

[Cargo Ship on Fire in the Atlantic Has 189 Bentleys, 1,100 Porsches, Lots of Audis On Board | The Drive](#)

[So you lost the Porsche you ordered on that burning cargo ship in the Atlantic. Now what? | Fortune](#)

[The Impact of Scarcity on Pricing | Ship Hero](#)

[A practical approach to supply-chain risk management | McKinsey](#)

[Importance of Communications in Supply Chain Management | Bastian Solutions](#)

INSTRUCTOR NOTES

What is the difference between luxury goods and normal goods?

It's actually beneficial for brands with luxury goods to be [out of stock and less accessible](#). However, the issue here is that some of these vehicles could be bespoke. This is then damaging to the dealership: there is already a decent wait list for Bentleys, certain Audis and Porsches. This impacts the dealerships, more so than the brand. Most dealerships are independently owned, like a franchise. So, a dealership can lose money while another one makes money, and the brand doesn't particularly suffer.

Thinking how the brands themselves could react, Bentley will likely just increase the cost of their vehicles – because they can, they will suffer less of a loss. Volkswagen will have an easier time shipping new vehicles (less customization) but will have a harder time recouping.

How does a company prepare for unplanned loss?

[Contingency / risk analysis](#) planning is huge – analysts should review a list of suppliers who can get product to the factory asap, adjusting production schedules to cause as little interruption as can be to the current vehicle schedule.

How would a supply chain manager adjust in a situation like this?

First, a SCM should figure out what was on the ship, notify the dealerships or people as soon as possible, then work to get new inventory going. This includes discussions with suppliers; working with production to slot in the replacements; working with the logistics team and legal to figure out a claim; working with procurement to reorder what is needed to replace these vehicles; figuring out which ones will not be replaced, which ones must be, and which ones should be. A SCM also needs to prioritize [internal communication](#), notifying all the departments who are customer facing or production related.