

SUPPLY CHAINS: THE POST-COVID-19 SMALL BUSINESS SAVIOR

Nicholas Anderson May 4th, 2020, 11:30 AM



Around the globe, supply chains are being put to the test by coronavirus. MIT Sloan Management Review

- Sunil Chopra is the IBM Professor of Operations Management and Information Systems at Northwestern University.
- Due to the global outbreak of the coronavirus, companies are seeing disruptions in their supply chains, including spikes in demand for certain products and lost interest in others.
- On top of that, companies who have warehouse facilities in impacted areas are faced with tough decisions on how to (and whether they even should) keep producing products.
- Chopra offers the following advice: Build regional supply chains, lean on technology, and focus on efficiency and resilience.
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During the early stages of the Coronavirus outbreak, before the government was able to approve a stimulus, it is likely that many businesses were forced to lay off a portion of their employees.

Now, as the major damage dealt by COVID-19 begins to subside, at the forefront of American minds lies the question: What next?

For recovering small businesses, where the effects of the prominent, seemingly everlasting nationwide shutdowns were felt the strongest, the plan is certainly to get back to business as usual in the quickest way possible. Yet, for most, this is remarkably easier said than done.

Undoubtedly, small businesses that are able to connect to a supply-chain will be much better suited to the post-pandemic market.

Outsourcing production can reduce labor costs

It is pretty remarkable how much cheaper supply chain manufacturing can be compared to in-house production. It is widely known that for almost any company, the most cost-intensive factor of production is labor.

To directly combat this issue companies can restructure to have their products made elsewhere.

By outsourcing production to a 'ready-to-go' manufacturer, businesses that are financially constrained from COVID-19 will be able to begin distribution at a smaller expense than those needing to reinstate their labor force. Now their role solely lies at the tail end of a supply-chain

This, in fact, is the case for my family's business. With the hotel and restaurant industries requesting immediate service, and labor not readily available, simply reopening production off the bat was unrealistic.

Striking a deal with a national corporation allowed the business to save on labor costs and focus solely on exportation. A result of the process - no business was lost.

Managing high demand

Of course, with being the one of first businesses back in major production comes great demand. The massive scale of supply-chains enables companies to meet the high demand for products and services that will arise following the COVID-19 pandemic. Whether it be demand for product, repair, or returns, being part of a supply-chain helps to solve the issue.

Take the latter as an example. As stated by the Logistic Bureau, 79% of consumers expect merchants to foot the bill for shipping product returns, therefore having a cost-effective and mobile reverse supply chain is critical to a company's success. The increased demand for all products that will be experienced by people returning to normal life will expose those businesses unable to provide satisfactory service to customers.

However, those companies within supply-chains that are ready to respond will thrive. According to a survey by Deloitte from 2014, 79% of companies with high-performing supply chains achieve revenue growth superior to the average within their industries.

Now, some would argue that not all large-scale production companies will become operational at the same time after the pandemic, leaving certain companies in specific industries stranded on their own to produce. For example, a company producing the wheel rims of an automobile may have had to lay off a large portion of their labor force, rendering them unable to meet the demands of assembly-line or supply-chain production, acting as the missing link in a grand chain.

Still, supply chains are multifaceted and small businesses have a variety of production opportunities available to them to choose from. If one is delayed, they can simply choose another.

Keeping in mind that low-cost international options exist, it is clear to see that an automobile company will have the opportunity to import the parts necessary to complete production. Ultimately, a company just has to act, and the supply-chain will pivot.

Moving forward together

Without doubt, those businesses that are able to connect with a supply-chain will be the ones to survive and thrive following this pandemic-influenced recession. This will be seen through cheaper, more efficient production, better customer service, and increased profitability.

So, if you have any kind of involvement in a production-based business, I strongly recommend taking advantage of alternate supply opportunities around you. If not, be sure to support and consume from your local businesses.

At the end of the day, from production to consumption, all people really need is a little help from their friends.

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Latest news

- Intelligence officials and disease experts are shooting down Trump's claim that the US has good reason to believe the coronavirus originated in a Wuhan lab.
- The US federal government ordered more than 100,000 body bags in April to keep up with a surge of coronavirus deaths.
- More than 1 million people around the world have recovered from the coronavirus.
- The Lego Group has denied any involvement in an animation video posted by Chinese state media that attacks the US response to the coronavirus pandemic.
- Economic inequality puts UK ethnic minorities at up to 3.5 times the risk of dying of COVID-19 in hospital.

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