

What's Your Supply Chain Strategy?

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The lockdowns during the COVID-19 pandemic and the recent economic uncertainty demonstrate that business supply and demand can change at a moment's notice. Furthermore, poor supply chain management can result in the underproduction or overproduction of products. In fact, approximately \$221 billion worth of inventory is discarded each year due to expiry or overproduction, according to a report by manufacturing company Avery Dennison Corp. Therefore, it's crucial for businesses—especially small and medium-sized enterprises—like yours to have a sustainable strategy for managing where, when and how they will secure business-critical resources.

A supply chain is commonly made up of suppliers, manufacturers, distributors and consumers. With several entities involved, it's no wonder that chains occasionally break down and impact businesses. Fortunately, a solid supply chain strategy—a detailed plan that organizations use to manage the flow of goods and services—can help you keep production on track. Consider the following guidance when implementing a supply chain strategy:

- **Forecast demand.** Avoid the perils of overstocking by leveraging market research and sales data to determine what products need stocking and how much to stock. For new lines of business, consider stocking a simple variety of offerings to build upon over time.
- **Consider a supply chain partner.** Weigh the benefits of a supply chain partner who supplies products using full end-to-end solutions. Make sure any chosen partner is able to grow as the business expands.
- **Increase supply chain visibility.** Monitor the supply chain and proactively fix issues to make sure products reach consumers as expected. Consider supply chain management software solutions that facilitate real-time tracking.
- **Diversify the supplier base.** Engage multiple suppliers—ideally in different locations—to help spread risks and increase supply chain resilience.
- **Plan for worst-case scenarios.** Conduct a supply chain risk assessment to identify potential flaws, then implement measures to remedy these. Additionally, develop a business continuity plan to prepare for future disruptions. This should include information on secondary suppliers and other backups.

If you have questions specific to your business, or would like additional information, please reach out to your Lloyd Sadd Advisor.

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