



Coronavirus Outbreak Reveals Importance of a Well-Managed Supply Chain

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The impact of the coronavirus on the supply chain magnified the importance for manufacturers in having several options for suppliers, said Ice Break Shipping's Augusto Beato.

While the current situation with the coronavirus is unique, Beato pointed out that it still shows manufacturers can better survive shocks to their supply chains if they have flexibility in tapping other suppliers.

"Unfortunately, 45 percent of those operating in the supply chain do not have the option of switching suppliers, exposing them to the impact of unfavorable events like the coronavirus," said Beato, who is also the CEO of the Portland SEO company. "This threatens business continuity, so manufacturers should inspect their supplier contracts."

Beato noted that while a company may have picked one supplier, they should be able to transact with others who have bid for the contract if their supplier is unable or unwilling to provide the goods.

"There are certainly other people or companies on your list who could provide high-quality materials, but didn't initially have the right price point," Beato emphasized.

Beato also emphasized that in a well-managed supply chain, manufacturers also get ready for changes in international trade policy, such as tariffs and other restrictions.

There are also fluctuations in the price of raw materials, secondary material inputs, and labor conditions that can impact a company's supply chain.

In the coronavirus situation, companies were preparing for Chinese New Year and had planned for 30 to 60 days of inventory when the health risks came into the picture.

"It could have been worse if the coronavirus hit in such a time that there was not a buffer inventory to lean on," Beato shared. "But this buffer inventory would soon dry out and need to be replenished, and the efficiency of the supply chain ultimately determine business continuity."

The tight interconnection of the network can have significant impacts on the price, quality, and availability of products that customers would see at the end of the supply chain.

"Companies that invest time, planning, and effort into creating a well-managed supply chain will benefit immensely in the form of reduced costs, improved customer experience, and mitigated financial and logistical risks," adds Beato.

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For more information about Portland SEO, contact the company here: Portland SEO Augusto Beato (503)278-5599 info@portlandseo.net 1435 NW Northrup ST Portland, OR 97209

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Website: <http://www.Portlandseo.net>

Email: info@portlandseo.net

Phone: (503)278-5599

