

Managing the Global Supply Chain Crunch

Tags: Supply chain / B2B / Entrepreneurship / Small business financing / Demand Management / Innovation / Covid

Supply chain insecurity is putting a strain on businesses everywhere—and it doesn't look like it's going away anytime soon. In this new era of delays, increased costs, and overall instability, we present 16 key insights on how Canadian small business leaders can best navigate these waters and stay resilient.

Microchips, car parts, cotton, beef, toys... Whatever it is you need to make (or sell) your product, it's relatively hard these days to get it quickly or cheaply. And with the holidays around the corner, businesses stand to face even more inability to meet demand.

In this continuing era of supply chain insecurity, what can small Canadian businesses do to adapt and even thrive? In this article, we break down a few of the key strategies businesses can embrace to be more supply chain savvy.

1. Acknowledge Our Supply Challenges

Let's start with the obvious: understanding that supply chain struggles are as real as they've ever been.

We all hoped that shipments would begin to normalize after the first quarter or two of the pandemic, but sadly the opposite has been the case. [Factory closures](#), [port pile-ups](#), and [shipping container shortages](#) around the world mean that businesses will be facing continued delays and increased transportation costs for many months to come.

Perhaps no one knows this better than Ontario-based founder François Byrne, whose 13-person company [Hybrid Power Solutions](#) manufactures portable battery systems and customized energy solutions for a variety of industries across Canada.

"I used to be able to get things from overseas in five weeks at the absolute latest," says Byrne. "Now the best case scenario is 16 weeks... a huge difference in time."

By acknowledging the supply chain crunch is real rather than ignoring or downplaying it and proceeding as usual, we can motivate ourselves to take actionable steps to mitigate the damaging effects it may have on our bottom lines.

2. Plan Demand, Think Seasonally

One key way to manage the delays we're all experiencing is to order your wares much farther ahead than you otherwise would, and to do so in anticipation of the seasonal peaks and valleys of your typical sales cycle.

"Because of how slow supply is moving these days, I need to purchase things four to six months down the road," says Byrne.

Needless to say, paying to stock your warehouses that far in advance of sales can hurt your finances in the short term. As Byrne continues, "Best case scenario is I'm getting paid in month seven. That's a huge amount of stress on our cash flow."

To bridge the increasingly-long gap between supply and demand, Byrne took out a loan from Thinking Capital, allowing him to keep the lights on.

"There's a cost to borrowing the money for sure, but it's worth it if you know that the sales are going to come in."

Read more about how [Thinking Capital's Cash Flow Advisor](#) can help you monitor your run rate and be smart about impending stresses on your bottom line.

3. Get Creative, Innovate Your Product

When demand for your product is high, scarcity of parts can be painful.

"We probably have \$700,000 worth of product in stock, but it's just sitting there because it's missing a \$16 component," says Byrne.

So what do you do when the parts you need are hard to come by? You get creative. One way Byrne's team tackled the supply chain shortage was to rethink his product lines in a way that made use of the parts that he *could* get.

"The last three or four months have been really difficult to get anything in the electronics world, so we're having to swap parts... You have to try to find a way to use as many of the same components throughout all of your product lines."

Whether it's rethinking your menu around specific ingredients or redesigning toys with more available parts, businesses need to take a hard look at what they're able to source and adjust their product lines accordingly.

Plus, innovating your products while you wait gives your product team something to do, reducing disengagement and churn. "We're finding alternatives, but that also means design changes... finding workarounds for parts has been keeping my engineering team very busy."

Read more about [how Byrne innovated his product line and funded his way through the cash flow crunch](#).

4. Rethink Your Packaging

If it's not the product you can change, maybe it's the packaging. We spoke to Rob Fenwick, Senior Director at the [Supply Chain Alliance](#), about a case in point.

"We recently spoke to the company that makes Robin Hood Flour," he started to tell us.

"Well, ever since Covid hit, a lot more people started baking from home. But Robin Hood was stuck with all these giant bags that were meant for restaurants, which were of course shut down. But this new market didn't want 10 kilograms of flour—they just wanted 1 or 2. So they had to quickly turn around and produce small package flour for the home market."

How did they do it so quickly? By foregoing some of the niceties of their brand.

"Robin Hood flour typically comes in yellow bags. And even though we'd been telling their marketing team to change it to white for years to save some money, they wouldn't do it. Well, along comes the pandemic and they finally said, 'You know what? Go for it.' And that allowed them to get that direct-to-consumer flour out the door much cheaper and faster."

5. Ship Smart, Ship Selectively

Which brings us, in a way, to our next point: If you can't get supply fast, you can always try to get it smart. That means prioritizing smaller and lighter parts over larger and heavier ones to reduce transport costs wherever you can, as well as prioritizing shipping those parts where your greatest margins per unit lie.

As Matthew Townsend and others write for [Bloomberg](#), "iPhones are small and pricey, making them an ideal good to ship or air freight amid spiking transport costs. But the same case can't be made for low-end furniture or big stuffed animals."

In short, the smaller and higher value per unit, the better.

6. Don't just think about time—think about money

That last strategy is a case in point: it's not just delays you have to worry about—it's also increasing transportation, labour, and material costs. To stay competitive, businesses have to look at their numbers comprehensively, from the opportunity cost of delayed shipments to the increasingly variable cost of making your product in the first place.

In some cases, you may find you can increase your product's price tag to offset these rising costs. In others, a temporary product suspension may be the way to go.

7. Find Local and Nearby Suppliers

Changing suppliers can be a big decision, but there's no reason you can't shop around for more local (or at least less far-flung) solutions while you're waiting for intercontinental shipments to come in. Even if they're more expensive, the reduction in wait times (not to mention risk) may well be worth it. For Canadian small businesses, that might mean looking at home or to countries like Mexico and Brazil instead of Asian markets further afield.

At any rate, a diversified supply chain improves resilience: if one supplier falls short, another can help pick up the slack. *As Fenwick succinctly puts it, "I'm using China today. Who's my backup?"*

8. Rent Additional Storage Space

Supply insecurity works like a pendulum, so when the wares you so badly need finally become available, you want to be sure you have the space to house as much of it as will last you until the next shipment. And while you don't want to overstock, given how long the supply chain will take to course-correct, it pays to err on the side of more.

Needless to say, storage space is expensive. We're here to help you make the investment.

9. Dial Back and Reroute Your Marketing Spend

As with your product, so too with marketing: plan ahead, and vary with the seasons. By dialling down your marketing spend until you have sufficient amounts to sell, you can save a little money while waiting on that sales revenue to flow in.

And perhaps rather than just squirrel that money away, you can be more strategic about how you use it, thinking about innovation and marketing expenses that might not get the right amount of attention in easier times: your website, product research, branding, content, or bringing in experts on areas such as customer experience.

Alternatively, you can promote pre-ordering to manage demand more predictably.

10. Spin Out Auxiliary Services

If you can't sell widgets—or can't sell as many as you would like—you can educate your customers with widget *knowledge*. By transforming your subject matter expertise into an asset, you can build out a consultative practice that opens up a whole new revenue stream—or a new content strategy to grow customer loyalty amid longer wait times.

And if you need funds to build this practice, helping businesses spin out new products and services is what Thinking Capital is for.

11. Team Up to Negotiate Better Shipping Rates

One advantage the big box stores have over small businesses isn't just the ability to withstand higher shipping costs and short-term losses—it's also their ability to negotiate better shipping deals in the first place.

As Byrne explains, "We sell at a lower volume than the big energy companies, so we're going to be paying a premium on imports because we have to go through retailers, distributors, and so on, rather than direct from the manufacturer."

As small businesses struggle with the increasing cost of shipping, one tactic they can consider is partnering with competitors to increase their collective volume and negotiate joint contracts.

12. Invest When It's Worth It

If you urgently need to make sales and are willing to pay for it, many cargo carriers offer expedited services to prioritize your shipment. It will cost you in the short run—and we can help with that—but if the numbers say it's worth it, then it's worth it.

13. Create Emergency Plans

"Lots of companies have plans if the electricity goes out or if there's a flood," Fenwick told us, "but now they're building in a deeper kind of preparedness."

Covid may have been unforeseeable (at least to most of us) but we can learn from the past to prepare better for the next time—whether it's another series of pandemic waves, or something related to climate change.

"If I'm a food manufacturer, what if there's a massive crop failure? What am I doing if that happens?"

For some challenges, it comes down to diversifying your supply chain. For others, it's about investing in technology.

"Another kind of crisis that not a lot of businesses think about is cybersecurity. You'd be very surprised how many companies have been hacked. Pirates go in, hack into a company's system, and say 'pay me a million dollars or I'm going to publicize all of your privacy content' or your IP or whatever it is. And some of these companies, they pay. It happens more than you know."

14. Reach Out to Regional Boards

If you're a small business, Fenwick says, you're not helpless.

"A small company can look to the government for some help on these things. There are regional development folks, like the Region of York and Markham, and they can provide resources, whether it's guidance on how to develop a cybersecurity plan or a business continuity plan more broadly."

But to get that guidance, Fenwick encouraged persistence.

"You have to get in their face a bit. I'd encourage small business owners to look to their regional development officers and say 'Help!' Like, 'I pay you guys, you have a full-time job, I need help.' Use that resource."

It's also, Fenwick says, a broader networking and support tactic.

"Small companies often feel alone. But the government guys can help plug them into other businesses who might have the same issues. And that way you can network and share ideas."

15. Keep an Eye Out for Overstock

Don't just look to the manufacturers for the parts and products you need—look to your competitors around the world, who may be looking to offload some of their overstock for a decent price.

16. Be Transparent and Proactive in Communicating with Customers

Last but not least, you want to be forthright with your customers about the delays they can expect—and you want to do so frequently and *in advance*. Customers in today's world of same-day-shipping have understandably high expectations, so actively managing those expectations during a time when they are bound to be kept waiting is a key way to retain your customers long term.

"We're very transparent when we do business," explains Byrne. "We always tell our customers how long they should expect to wait. We even tell them the exact reason why, explaining that this is the exact part that we're missing."

As an inspiration, we like [this email from the owner of Canadian business Lee Valley to his customers](#), in the lead-up to Christmas — it's honest and forthright, but also very simple.

Whether you want to tell your customers how the sausage is made is up to you. The important point is to start a dialogue and build a relationship that will pay dividends over time. And time, these days, is what everyone has.

CTA:

Whatever your supply chain troubles, we've got you. Find out how Thinking Capital can help you weather the storm on your terms, through fast financing tailored to your small business needs.

[\[Learn More\]](#)