

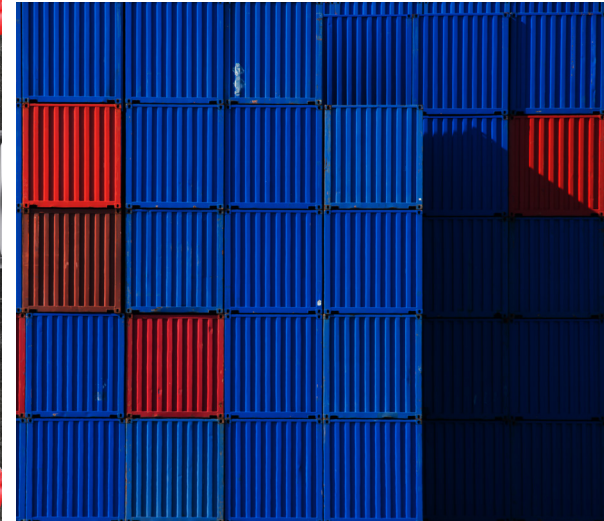
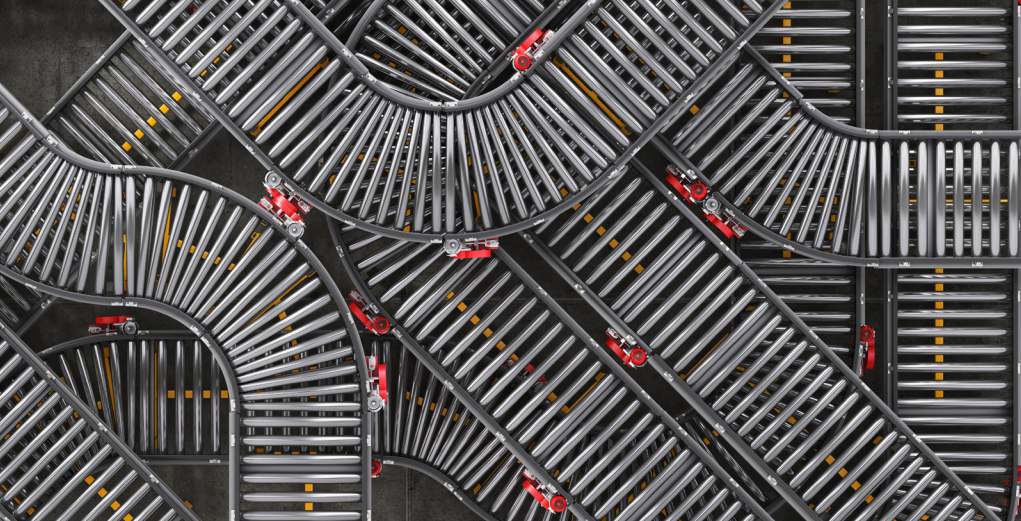
October 2020

Turn supply chain stress into success



Stress in business is common in this economy – and you’re likely feeling that stress heavily along your supply chain. Late shipments, limited inventory, lots of uncertainty and risks – whether the causes are political, economic, or environmental, a lot of things can go wrong. The only thing you can expect on the road to revenue recovery and business resiliency is unexpected stress. But you don’t have to let that strain run your business – or your supply chain. Once you know what you’re up against, you can work on managing the stress in a way that moves your business forward and can help you find capital in some surprising places.





Know where stress can arise

Supply chain stress exposes your business to more risk across the board, from shortages and lost sales to theft, fraud, and cybersecurity breaches. Stress can weaken your business's operational functions – and your profit – significantly. Sometimes, this stress appears in very unexpected ways. For example, “digital pirates” might hack a ship's electronic navigation and hijack one of your shipments.

However, this type of stress can be a perfect opportunity to address performance improvement in your business. You might already have a plan to help mitigate stress, but if you don't, now is the time to develop one. The focus should be on survival first, managing the stress through assessing the current state of your supply chain. From there, consider how you could improve business processes and potentially negotiate better pricing and commercial terms with suppliers. Finally, you'll want to sustain your current plan and monitor to make sure it's working for your business moving forward.

Know the risks your business partners bring

Unfortunately, the companies you do business with can become a large area – perhaps the largest area – of stress. If you're in the early stages of establishing a third-party risk framework, start with your most valuable suppliers, the ones that provide the bulk of your products and services. From there,

work to create a manageable system to define every supplier's contribution to your business on a consistent, rotating basis. Have a framework in place to recognize the internal and external events that might affect a supplier's stability. Once you have established a consistent process to evaluate and monitor your supply base, use the process periodically to determine the annual spend threshold for each supplier. You might want to consider whether you are negotiating the best deals in each case and whether you are investing too much in one place without a backup plan.

Know the taxes along your route

If part of your planning includes recalibrating a supply route, you'll want to account for any new tariffs and duties. Also consider how current global disrupters have affected the cost of taxes embedded in your supply chain. For example, in many cases value-added tax and other taxes have been deferred due to the pandemic (though specifics vary from country to country). Do your research to see if you can maximize these tax advantages at any point along your supply chain route.

Even in the face of supply chain uncertainty, you can manage stress in a way that helps your business in the short term and sets you up for future success. By spending wisely, guarding your current profits and cash, and maximizing your tax advantages, you can turn that stress into success.



Learn more

Mike Varney
Partner
+1 216 623 7553
mike.varney@crowe.com

Wil Knibloe
Principal
+1 616 233 5561
wil.knibloe@crowe.com

crowe.com

"Crowe" is the brand name under which the member firms of Crowe Global operate and provide professional services, and those firms together form the Crowe Global network of independent audit, tax, and consulting firms. "Crowe" may be used to refer to individual firms, to several such firms, or to all firms within the Crowe Global network. The Crowe Horwath Global Risk Consulting entities, Crowe Healthcare Risk Consulting LLC, and our affiliate in Grand Cayman are subsidiaries of Crowe LLP. Crowe LLP is an Indiana limited liability partnership and the U.S. member firm of Crowe Global. Services to clients are provided by the individual member firms of Crowe Global, but Crowe Global itself is a Swiss entity that does not provide services to clients. Each member firm is a separate legal entity responsible only for its own acts and omissions and not those of any other Crowe Global network firm or other party. Visit www.crowe.com/disclosure for more information about Crowe LLP, its subsidiaries, and Crowe Global.

The information in this document is not – and is not intended to be – audit, tax, accounting, advisory, risk, performance, consulting, business, financial, investment, legal, or other professional advice. Some firm services may not be available to attest clients. The information is general in nature, based on existing authorities, and is subject to change. The information is not a substitute for professional advice or services, and you should consult a qualified professional adviser before taking any action based on the information. Crowe is not responsible for any loss incurred by any person who relies on the information discussed in this document.
© 2020 Crowe LLP.

CMR2101-020A