



Helping Small Businesses With Supply Chain Disruptions

business customers customer profitability

Summary: Businesses are opening up countrywide. But, with the ongoing supply chain issues and price pressures, many small businesses are struggling. There are several opportunities for community financial institutions to assist these businesses in their community, including the Restaurant Revitalization Fund, short-term funding, and advisory expertise.

We are all looking forward to summer activities like pool parties and lounging by the pool with a good book. Yet, pool time may need to wait, as chlorine products are in short supply, due to last year's surge in demand with stay-at-home orders and fire damage to a major chlorine producer. Hang in there!

Supply chain issues from the past year extend well beyond the world of pool supplies. As businesses nationwide are trying to open up, they are finding several challenges await them. Supply chain disruptions and rising prices are a couple of big ones they face. These challenges are affecting small businesses in your community, but you have a potential role to play here.

Supply chain disruptions continue. It has been a "chain reaction" for many supply chains in different industries, as the economy tries to get back on track post-pandemic.

Last year, many businesses had to close their doors, at some point, to adhere to safety precautions, which stopped orders. Even as many businesses opened with limited capacity, labor was inconsistent due to the spreading virus and the need for many to stay home and take care of their children during remote learning. Without regular employees, it was difficult for many businesses to generate sales and subsequently, ordered fewer goods than usual.

These days, there are a few hurdles still to straddle. [Almost 50% of small businesses surveyed in March 2021 noted supply issues](#), causing ongoing shortages of goods. Extended attractive unemployment benefits make it appealing for some people to stay home and rely on government benefits until they run out. This has led to a labor shortage for many small businesses too.

Furthermore, semiconductors have been in short supply with the surge of remote work. Computer equipment has been backordered during the pandemic and [experts say it could continue until 2023](#). The lack of supply has led some to inventory hoarding, which only makes the situation worse. Demand pressure could ease as people return to the office and no longer need additional home workstations. Yet these chips affect everything, including services that small businesses rely on, such as delivery and transportation services.

Prices getting higher. As we know, when supply goes down, prices go up. So, businesses have to contend with hefty price increases for many of the day-to-day items they need. For instance, take restaurants that need to have their safety protocols in place to fully reopen. They have had to pay as much as \$200 for gloves — 5x more than usual. Labor is getting more expensive too, as many restaurants try to entice workers back to work with restaurant and bar sales increasing by 13.4% in March vs. February. Also, small retailers are suddenly

forced to pay exponentially more for shipping in order to access inventory that would otherwise be stuck in months-long delays.

While these price pressures will likely be relieved once supply chain issues are resolved, these challenges are hindering some businesses from successfully ramping up. So, what can you do? We believe there are three ways you can assist them.

Ways you can help

American Rescue Plan Act's Restaurant Revitalization Fund. In the case of local restaurants, community financial institutions should reach out with information on [The American Rescue Plan Act's Restaurant Revitalization Fund](#). Guiding them through this program may offer the extra funds needed to cover higher labor costs, cleaning products, and other items to help them keep up with pent-up demand. Any funding that restaurants receive through this program must be used by March 11, 2023, in order to be forgiven. This timely information is a great reason to reach out and stay connected with your customers and show them the light at the end of the tunnel.

Short-term funding. Reviewing customer profitability, your institution is also able to assess and provide support through line of credit extensions or short-term loans. This could help many businesses that need to solidify commercial momentum during this economic transition period — with a higher cost of goods and transportation costs. Review with them how they will use the additional funds, so that you can advise and confirm that their priorities are in place to grow their business properly.

Advisory expertise. Leveraging your financial expertise in order to guide and advise these businesses is likely part of your normal customer process. But, you may want to more actively communicate this service. Your institution could offer small businesses advisory services, such as updating business plans or reviewing their cash flow management, based on their current situation and future outlook. Putting these customers in touch with organizations that can help with staffing shortfalls or additional training would also be welcomed and could put them on the right footing as economic factors play out.

As your business customers struggle through supply chain and pricing issues, you have a perfect opportunity. You can leverage your products and services along with your skillset and knowledge to help your customers as they work through these disruptions during this time of transition.

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ECONOMY & RATES

Rates As Of: 06/08/2021 05:12AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.02	0.01	-0.07
6M	0.04	0.01	-0.05
1Y	0.05	0.01	-0.06
2Y	0.16	0.01	0.03
5Y	0.77	-0.03	0.41
10Y	1.54	-0.06	0.62

30Y	2.22	-0.06	0.58
FF Market		FF Disc	IORB
0.06		0.25	0.10
SOFR		Prime	QBER
0.01		3.25	0.04

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