



## Supply Chain Woes Continue For SMBs – CFIs Can Help

business customers credit

**Summary:** Supply shortages have been affecting all businesses to some degree since the start of the pandemic. But, with the holiday season upon us, small businesses are finding supply chain issues especially difficult. We lay out the current situation, how it specifically affects small businesses, and what community financial institutions can do to help.

According to a report by NPD Group, sales for general merchandise (accessories, clothing, technology, housewares, toys, etc.) increased 16% YoY for the week ending October 23, 2021. Consumers were looking for hot deals early for the holiday season. Despite inflation and supply issues, McKinsey forecasts a 7% increase in consumer spending in Q4 YoY.

Still, anyone who is a last-minute holiday shopper may have to think outside of the box this year when it comes to gifting. With major supply chain issues creating a scarcity of everything from automobiles to clothing, video game consoles, and countless toys, many of the items on people's wish lists may not be obtainable in time for the holidays. This reality is hitting small and mid-sized businesses (SMBs) particularly hard. We review the current situation and provide some opportunities for community financial institutions (CFIs) to demonstrate their value as these businesses face challenges this holiday season.

**Bottlenecks are still an issue.** With the diminished movement of goods from the US to China, the number of shipping containers available to fill with Chinese goods has decreased. Then, add the shortage of both port personnel to unload the containers and truck drivers to move the goods from ports to store shelves. The Biden administration facilitated night shifts at the ports for three months to get through the holiday season. Yet, small businesses may not be prioritized in favor of larger companies with larger orders.

**SMBs hit with higher costs.** While supply chain issues are definitely affecting businesses across the board, they hurt SMBs particularly hard. According to the findings of a recent US Census Small Business Pulse Survey, 45% of SMBs have been experiencing supplier delays. As a result, up to [87% of SMBs in the US have shouldered higher costs](#) for transportation, logistics, or expedited deliveries to offset supply shortages. Since most SMBs don't have the operating margins of larger retailers and businesses, especially after the pandemic closures, these additional costs can have a significant impact on their bottom line and make survival even more difficult.

### Opportunities for CFIs to Support SMBs

**Providing additional credit.** Extending credit is one way that CFIs can assist SMBs as they struggle to deal with higher product acquisition costs. Knowing that these shortages will eventually be resolved, your institution can lend to business customers that are best suited for success, once the supply chain is flowing again.

**Advising your customers.** Financial advice is also a good way to support your customers. In fact, Deloitte recently found that since the start of the pandemic [62% of SMBs are interested in financial advice](#) and 41% are interested in support and guidance for reducing expenses. Helping SMBs work through this situation by helping

them manage cash flow and expenses could be all some businesses need. One option is to host both in-person and online gatherings for SMBs where they can share challenges and ask for advice from business experts and financial advisors.

**Helping them with future plans.** Once immediate needs are satisfied, lessons learned from this supply chain crisis can be used for future plans. Working with your customers to set up safeguards for any future supply chain issues will make them more resilient and profitable.

- Building in a greater variety of suppliers, if possible, could help them manage supply better in the future.
- Suggest researching pooled purchasing with other local merchants or businesses as well, which gives them more leverage in price and delivery negotiations.
- SMBs may also want to eventually invest in basic supply management software to help them better track product availability, forecast sales, and plan inventory purchases.

It is an especially tough time for many small businesses right now with the supply chain challenges. Your continued guidance and support can help your SMB customers get through it, while we all wait for the light at the end of the supply chain tunnel to appear.

## TWO APPROACHES TO STRESS TEST YOUR LOANS

Now more than ever, it is important to stress test loans of all types from multiple perspectives. Choose your approach and get expert help, as needed. Learn more about [credit stress testing](#) today.

## ECONOMY & RATES

Rates As Of: 12/02/2021 10:02AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.06	0.01	-0.03
6M	0.10	0.00	0.01
1Y	0.26	0.01	0.15
2Y	0.62	0.05	0.50
5Y	1.21	0.05	0.84
10Y	1.46	0.01	0.53
30Y	1.77	-0.03	0.12
FF Market	FF Disc	IORR	
0.08	0.25	0.15	
SOFR	Prime	ORER	
0.05	3.25	0.07	

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