

# Central New Jersey Companies Impacted by Supply Chain Disruptions



**THE ALTERNATIVE BOARD**

*Shared Wisdom, Bottom Line Success*

PRESENTED BY TAB OF CENTRAL NEW JERSEY

# A Complex Problem with No Easy Solution



Supply chain disruptions have had a major impact on businesses in 2021. Multiple factors have contributed to the disruptions, including a surge in consumer demand, COVID-19 outbreaks that shut down manufacturing facilities and ports in China and increased congestion at U.S. ports as shipping has surged.

All have resulted in shortages of critical raw materials for manufacturers and finished goods for retailers and consumers. In Central New Jersey, companies face tight supplies, long lead times and in many cases increased prices to get the materials they need.


TAB CNJ (The Alternative Board™ of Central New Jersey) recently spoke with several of its members to learn how disruptions to the supply chain are affecting their businesses and what they are doing to manage this complex situation. TAB provides CEO advisory boards to privately-owned companies.

# Current Conditions

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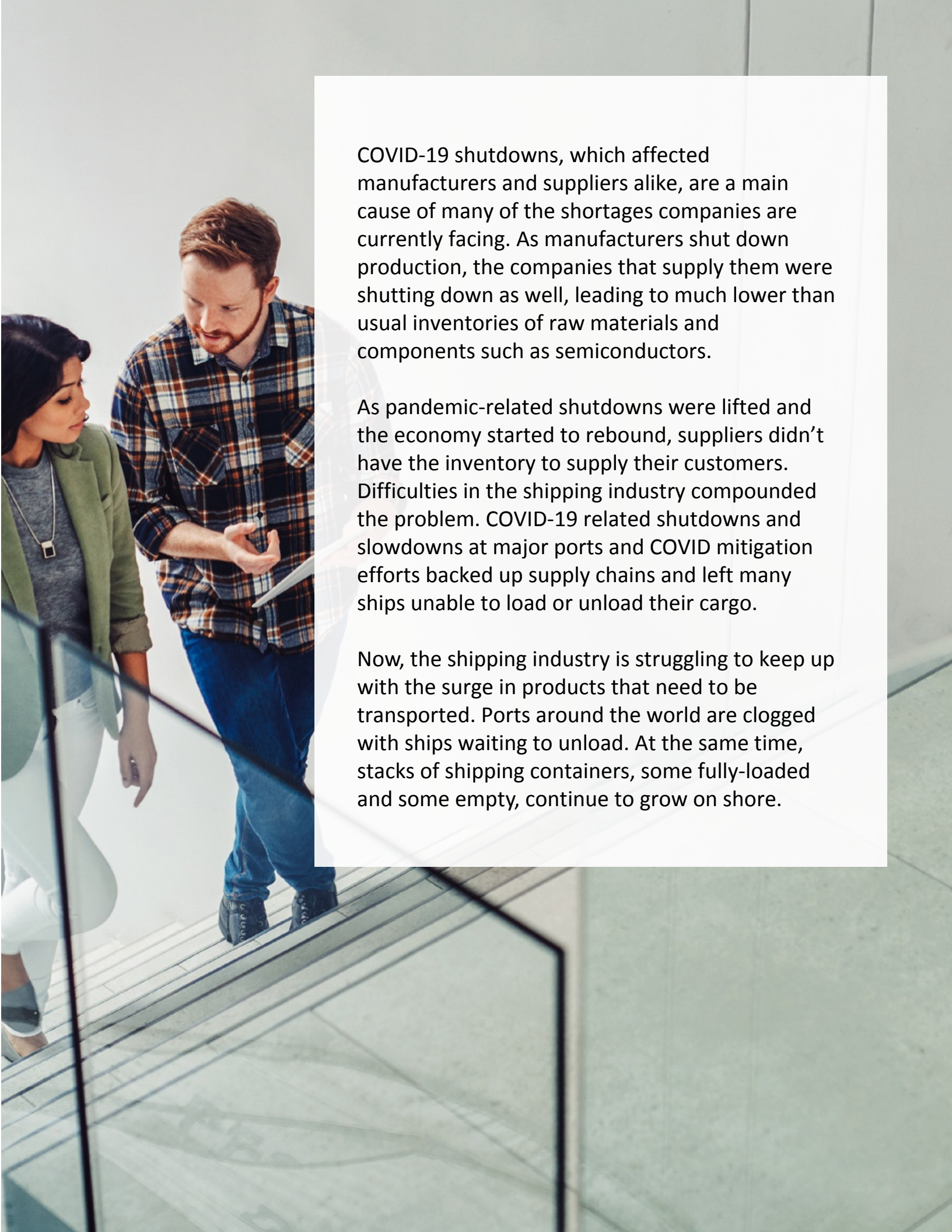
Multiple factors have contributed to the supply chain disruptions, including:

- A surge in consumer demand, which has fueled a growing demand from manufacturers for supplies and raw materials
- Pandemic-related shutdowns at critical ports and major manufacturing hubs in China
- A shortage of shipping containers
- Unprecedented congestion at ports as shipping has surged



TAB CNJ member Ilene Pearl Bannwart, CEO of [Power Magnetics Inc.](#), stated, “We’re facing a situation of low supply and high demand. Materials that used to take a few days to a week to receive now have lead times of up to six weeks. And prices are up pretty much across the board.”

Power Magnetics designs and manufactures custom transformers, AC reactors and DC inductors for customers around the world from its facility in Trenton, NJ.



COVID-19 shutdowns, which affected manufacturers and suppliers alike, are a main cause of many of the shortages companies are currently facing. As manufacturers shut down production, the companies that supply them were shutting down as well, leading to much lower than usual inventories of raw materials and components such as semiconductors.

As pandemic-related shutdowns were lifted and the economy started to rebound, suppliers didn't have the inventory to supply their customers. Difficulties in the shipping industry compounded the problem. COVID-19 related shutdowns and slowdowns at major ports and COVID mitigation efforts backed up supply chains and left many ships unable to load or unload their cargo.

Now, the shipping industry is struggling to keep up with the surge in products that need to be transported. Ports around the world are clogged with ships waiting to unload. At the same time, stacks of shipping containers, some fully-loaded and some empty, continue to grow on shore.

# Material Shortages and Rising Costs Keep Manufacturers Scrambling



A lack of materials and long lead times are hitting manufacturers especially hard. Scarce supplies of everything from semiconductors to plastic resins have companies scrambling to keep up with growing demand.

The plastics market, already hobbled by material shortages because of COVID-19, faced further problems as production halted at petrochemical plants in Texas and Louisiana due to Hurricane Laura in late summer followed by a winter storm in Texas reports the Harvard Business Review.

In other markets, surging demand caused copper prices to hit a 10-year high while lumber prices jumped temporarily to nearly six-times higher than last year.

# Shortages Hit Close to Home

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TAB CNJ member Steve Kohn, President of Monroe Township, NJ, based [Broadway Industries](#), reports difficulties getting the raw materials his company needs. Broadway Industries makes packaging supplies such as packing paper, stretch wrap and paper and plastic bags, including carryout bags and pharmacy bags.

Kohn lists a number of now-familiar issues with the supply chain – tight supplies, long lead times and increased material prices.

**“Our timelines for ordering products have been extended by months,” Kohn said. “We’re ordering from multiple suppliers to try to get the materials we need. The downside is we run the risk of ending up with too much material and higher inventory.**



Kohn also said the costs of plastic resins and pulp and paper products, such as corrugated cardboard, have all increased dramatically, which puts the squeeze on his company, all at a time when many customers are over-ordering his products out of a fear they won't be available in the future.

In addition, inconsistent and unreliable supply channels affect the staffing Broadway Industries requires for its domestic production lines.

TAB CNJ member Brian Semcer, President of Somerset, NJ, based [Micro](#), reports that the raw material supplies he relies on can't keep up with demand. Micro is a full-service contract manufacturer of precision metal parts for medical equipment.

Both Semcer and Kohn reported their companies are being impacted by the shortage of plastic resins from Texas. Broadway Industries uses the resins to manufacture polyethylene products such as stretch wrap and mattress bags. Micro uses the resins to make parts for its medical device customers.

Medical devices are highly regulated and parts and materials must be approved before they can be offered on the market. "We can't offer parts using different materials to customers unless we get approval first," he said.



Semcer reported that a shortage of medical-grade stainless steel is also having a major impact on his business. The U.S. mill that had served as the main supplier of stainless steel to the U.S. exited the market, leaving a large gap in supplies just as the pandemic hit.

“Lead time for stainless steel was one to two months,” Semcer said. “Now, it’s double that. And COVID certainly doesn’t help.”

Semcer and Ilene Bannwart at Power Magnetics also reported that higher prices for copper are impacting their businesses. In addition, Bannwart noted that the price for steel shot up to 50 cents a pound recently. “It’s a huge increase. We’ve had to notify our customers about the price increase,” she said.





# Shipping and Trucking Issues Compound Problems



Late deliveries of materials have become commonplace as a shortage of shipping containers and issues at seaports are creating delays around the globe.

Earlier this year, a COVID-19 outbreak limited operations at the Chinese port of Yantian. Operations at the port were affected until June and caused a large number of ships to wait to load or unload at the port reports Container News.

Shipping prices have soared as well. The Wall Street Journal reports that daily shipping rates from the U.S. West Coast to China are up more than 400 percent since January 2020. Shipping costs from the U.S. East Coast to Asia are up 224 percent this year reports the shipping website Freightwaves.com.



The CEO of a central New Jersey trucking company, and long-time TAB CNJ member, shared his thoughts on how supply chain issues are affecting his company.

One of the top problems for trucking companies, he reported, is the huge number of containers that are backing up at ports, which makes it difficult for truck drivers to pick up full containers and return empty ones. Prior to the pandemic, it took about two hours to load or unload a container on a trailer chassis. Now, because port operators have to move so many containers before they get to the one to be picked up, the process can take up to six hours.

These significant and consistent delays are expensive and add to shipping costs. The trucking company has to compensate drivers for the increased wait times. They can also be assessed fines by the port if the freight sits overnight, regardless of the circumstances that caused the issue.

# Labor Shortages are Persistent

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TAB CNJ member companies have all reported difficulties finding and retaining the necessary talent they need along with a dramatic increase in labor costs. The National Federation of Independent Businesses (NFIB) cited the following data from a report in July:

- Unfilled job openings are affecting 46% of businesses according to owners
- To attract applicants, 39% of independent businesses have increased compensation



# Strategies TAB Members are Using to Manage Supply Chain Disruptions

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TAB business owners are taking active measures to manage supply chain disruptions and related costs. They're relying on their TAB boards for feedback and guidance along the way. Here are some of the measures being taken by TAB CNJ members.



## Communicate, Communicate, Communicate

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TAB CNJ members all report that communicating with customers has been key to managing supply delays and price increases. Members who have been most successful communicate with their customers often, even daily or weekly, about the status of open orders, shipping delays and cost fluctuations in fuel, raw materials and labor.

Regular communication can prevent clients from being surprised by delays or surcharges and allow them to plan accordingly. How to best frame these communications has been an ongoing discussion among business owners in their TAB meetings.

# *Price Increases*

Many TAB of Central New Jersey members have raised their prices because of supply chain disruptions and rising costs. This echoes a nationwide trend. Pricing strategies and client relationship issues are common topics at TAB Advisory Board meetings.

The CEO of the trucking business explained he's had to add surcharges to his normal shipping charges to cover the added expenses resulting from having his trucks sit idle in ports waiting to be loaded. He mentioned that he has loyal customers who, while not happy with the added charges, accept them as part of doing business right now and understand current conditions.

## **According to the most recent NFIB report:**

- » 47% of business owners reported they have increased their average selling prices
- » Higher average selling prices were noted by 54% of owners across a number of sectors and 44% anticipate raising prices in the future

Several TAB CNJ members are currently approaching price changes as surcharges or temporary increases, which will abate once the environment normalizes. Others have considered non-price concessions to help defray the impact, such as expedited payment terms to supplement cash flow or obtaining multi-year contracts from their clients.

# Expanding the Vendor Network and Managing Inventory

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**As a result of the supply disruption,** many TAB CNJ members are diligently vetting and adding to their vendor network.

- Power Magnetics is seeking new vendors and is double sourcing much of its materials. The company also worked with customers and asked them to consider pre-ordering materials for future products. This enables customers to piggyback on existing orders.
- Micro is searching for new sources of materials and is working with trade groups to speed up the approval process for medical devices, which would make it easier to use materials from other providers.
- Other companies have aggressively built redundant inventories as a hedge against future price increases or wait times. This strategy, however, faces the issue of finding warehouse space, which is currently in short supply in Central New Jersey.
- For longer-term risk mitigation, some TAB CNJ members are exploring on-shoring some of their product sourcing back to the U.S. They are also vetting new off-shore options in different countries, such as Mexico and Vietnam, to diversify their individual country risk exposure.





## Creative Approaches to Labor Pool Management

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**TAB CNJ member companies** are also rethinking the way they manage their labor pools to reflect current market conditions.

- Broadway Industries is compensating for supply and labor disruptions to its domestic manufacturing operations by working with temp agencies to ramp up staffing as needed to meet increased customer demand.

Like many TAB CNJ members, Broadway Industries is also actively working to increase job satisfaction among its full-time staff. Company culture, employee satisfaction and employee retention have always been common topics at a TAB board meeting, but they are discussed even more now.

- Many TAB CNJ members have also proactively increased salaries and hourly rates for key employees to improve employee retention.

# Looking Forward

Current supply chain disruptions are the result of a complex web of interwoven factors. Most experts agree that it will take time, perhaps six months or more, before the current surge of materials flooding the shipping lanes works itself through.

Until then, successful companies will take the actions they need to offset the problems they encounter while working to keep customers and employees happy.





# TAB CNJ Offers Valuable Services to Members

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TAB (The Alternative Board™) provides valuable resources that help business owners and leaders navigate difficult business conditions, confidently see new opportunities and achieve their strategic goals. TAB offers busy entrepreneurs a powerful, streamlined program that includes peer advisory boards, one-on-one coaching, workshops, expert speakers, robust business tools and invaluable TAB connections.

During times of economic uncertainty, having access to fresh perspectives, expertise and support when facing big decisions is not a luxury — it's a necessity.

TAB CNJ peer-to-peer advisory boards bring together like-minded business owners from a variety of industries who share insights and expertise with the goal of helping each other's businesses. In an atmosphere of mutual respect and trust, members can be honest about their challenges and questions.

## Here are some of the top benefits of joining a TAB board:

- No more feeling isolated and alone. Avoid being overwhelmed by the issues you face in your business with a group of supportive and like-minded entrepreneurial advisors.
- Greater focus on the big picture. Become a better business leader by working ON your business and not IN your business.
- Achieve personal and professional growth. Be transformed by gaining valuable knowledge, which helps you be a more confident and effective business owner and leader.
- Better decision-making skills. Different perspectives from fellow TAB members will broaden your thinking and help you make sound decisions.
- Increased accountability for your actions. Your TAB Board and your TAB coach will both ensure you reach your goals.
- Trusted, unbiased and confidential. Join a group of peers that will become your most reliable source for feedback, wisdom and advice.
- Gain new knowledge and insights. Access the type of information that will help elevate your business from business leaders and experts.

Being prepared for the challenges you face is not only a competitive advantage — it gives you peace of mind. As part of TAB, you'll address critical business decisions that will make your business as healthy as it can be, no matter what the outside world throws your way. It's a small investment with BIG results.

# Is TAB for You?

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**The Alternative Board® (TAB)** helps forward-thinking business owners grow their businesses, increase profitability and improve their lives by leveraging local business advisory boards, private business coaching and proprietary strategic services. Becoming a member of The Alternative Board gives you access to resources and expert advice to help you create, and maintain, a strong company culture. **Find a TAB Board near you and begin growing your business today.**



For more information visit the TAB CNJ website at <https://tab-cnj.com/tab-central-nj>

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