

# COVID-19 Action Guide:

Assessing the Impact on Supply Sources  
and Addressing the Disruption

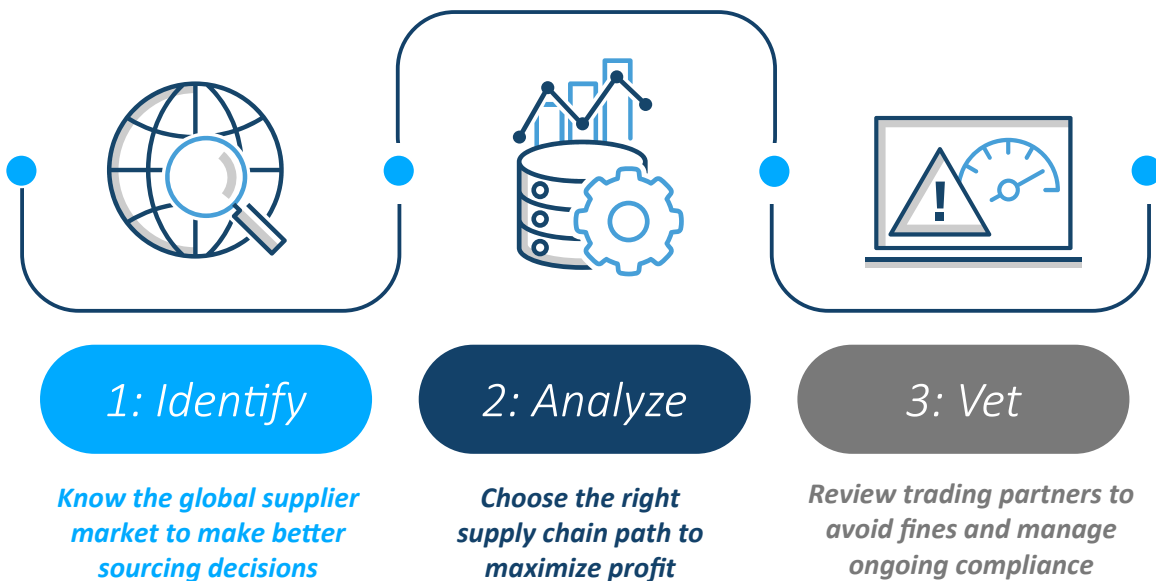




## How can you take action now?

We've been receiving questions from our customers about the strategies and technologies needed to find alternative supply sources and build greater supply chain resiliency due to the impact of COVID-19 (aka coronavirus). The good news is that there is a lot that can be done now to find and qualify alternative sources of supply.

This guide covers the three key steps to supplier sourcing success.



## Identify – Know the global supplier market to make better sourcing decisions

Identifying alternative suppliers is more challenging than ever due to the impact of COVID-19 and tariff changes over the last two years. Sourcing experts need to expand their universe of candidates to ensure availability and build resiliency. Global trade intelligence solutions can help to:

- **Discover the scope of available supplier options worldwide.** Businesses know their own supply chains well but may not know the full range of supply sources that exist globally. There may be qualified suppliers operating outside of their country or usual trade lanes. Global trade intelligence solutions can capture worldwide import and export flows and present a broader pool of potential global trading partners. With this information, business can quickly find alternative suppliers that are already trading in their region or elsewhere across the world.
- **Identify macro-level shifts in supply sources.** The last two years of tariff changes have accelerated the movement of supply sources from higher tariff to lower tariff locations. Early indicators of increased supplier capacity coming online in new countries can help businesses proactively take advantage of developing supply expertise.



*Global trade intelligence solutions can capture worldwide import and export flows and present a broader pool of potential global trading partners.*

## Analyze – Choose the right supply chain path to maximize profit





Understanding the potential landed cost of alternative suppliers is critical to enhance bottom line performance. A changing tariff landscape can make this exercise more difficult than ever. To get to the best cost option, sourcing professionals need to:

- **Model the costs.** Global trade intelligence solutions can help to correctly determine the most accurate and appropriate tariff classification, relevant beneficial trade agreement provisions, as well as any specific rules of origin or tax implications for imported commodities. Taken together, these variables constitute core elements of determining the total landed cost of each sourcing option.
- **Continuously assess duty, tax and Free Trade Agreement (FTA) implications.** There are a large number of recent duty, tariff, quota, tax, and free trade agreement changes that have increased in scope and number worldwide. Keeping pace with these fluctuations, especially during times of supply chain disruption, can help maximize profitability.

For example, the U.S. tariff on new pneumatic tires from China rose to 25% on January 1, 2019, while Thailand remained at a maximum duty rate of 4%. Thailand's market share grew by 5.6%\*\*, indicating increased capacity and making the country one potentially viable source of supply.

### Duty Rates and TEU Volumes for Imports into the U.S.

#### New Pneumatic Tires of Rubber for Motor Cars - Year to Date 2020\*

Country of Origin	Maximum Duty Rate	TEUs Imported Year to Date*	% Change in Total Market Share**
 Thailand	4% Duty	37K	5.6%
 China	25% Duty	7K	-10%
 Korea	0% Duty	18K	-0.2%
 Germany	4% Duty	1.7K	-0.4%

\* For the period of January 1, 2020 to April 21, 2020. \*\* % Change in total TEU export volumes for the same period of January 1 to April 21 in 2018 versus 2020.

- **Review supplier volume performance.** Gauging the prior performance of suppliers can help to provide a benchmark of their ability to meet demand. Global trade intelligence can analyze the products that a supplier shipped historically and their shipment volumes.

## Vet – Review trading partners to avoid fines and manage ongoing compliance

With penalties that can range into the millions, reviewing potential trading partners against sanctions lists is a core component of the supplier vetting process. Screening can be a daunting task since there are a large number of continuously changing lists. In addition, proper due diligence requires a review of country-level, organization-specific, and individual sanctions listings. Sanctions can also extend to businesses majority-owned by sanctioned parties. Sourcing professionals can use global trade intelligence to:

- **Accelerate the vetting process.** Global trade intelligence solutions can streamline and simplify complex supplier vetting by combining a database of sanctioned, denied, and restricted parties with Artificial Intelligence (AI). Best-in-class solutions can automatically flag likely suspects and clear lower-risk candidates.



*Global trade intelligence can quickly narrow a broad pool of suppliers to those more likely to meet business demands.*

## We're here to help

Descartes' global trade intelligence solutions and services enable organizations to make better supply sourcing decisions resulting in improved bottom line performance and helping to avoid government-imposed penalties and brand damage. In these fluid times, global trade intelligence helps to quickly execute an alternative sourcing process.

With Descartes' solutions it's easy to:

- Find potential alternative sources of supply worldwide
- Determine the landed cost of new sourcing options
- Instantly screen supplier candidates

Learn how Descartes can help you find alternative sources of supply. Our team is standing by to help you understand how global trade intelligence solutions can help your organization assess your sourcing options now.



## About Descartes Systems Group

Descartes (Nasdaq:DSGX) (TSX:DSG) is the global leader in providing on-demand, software-as-a-service solutions focused on improving the productivity, performance and security of logistics-intensive businesses. Customers use our modular, software-as-a-service solutions to route, schedule, track and measure delivery resources; plan, allocate and execute shipments; rate, audit and pay transportation invoices; access global trade data; file customs and security documents for imports and exports; and complete numerous other logistics processes by participating in the world's largest, collaborative multimodal logistics community. Our headquarters are in Waterloo, Ontario, Canada and we have offices and partners around the world.

Learn more at [www.descartes.com](http://www.descartes.com) and connect with us on [LinkedIn](#) and [Twitter](#).

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## Coronavirus (COVID-19) Impacting Your Supply Chain? Find Alternative Supply Sources Now!

Learn more in our comprehensive online resource center

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**Uniting the People & Technology That Move the World.**