



SpendEdge Provides Customized Procurement Intelligence Solutions to help Businesses Gain Deep-dive Insights into Second Sources to Mitigate Supply Chain Risks

Businesses are trying to assess the impact of the outbreak on their enterprises. Corporate executives are working hard to address supply chain disruptions caused by the outbreak of COVID-19. It would be better for companies to analyze possible outcomes in the context of known supply chain risks and take effective measures that can minimize exposure to future disruptions.

The decline in demand has sparked a bigger decline in orders from suppliers. Companies are significantly reducing their production to adjust to declining sales and work off their now-bloated inventory. The statewide lockdowns and quarantines are presenting supply chain risks for companies and leveraged suppliers upstream in the supply. One of the key solutions to mitigate supply chain risks is to maintain relationships with more than one supplier through second sourcing - the practice of sourcing a chosen raw material, product, or service from two or at times multiple sources. As relying on a single supplier can carry a certain amount of risk, especially when supply chains are disrupted.



Want to identify alternate suppliers and improve second sourcing to mitigate supply chain risks and manage the impact of COVID-19? Request a free proposal and we will get back to you in 48 hours with our customized procurement intelligence solutions.

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Why Should Companies opt for Second Sourcing?

Risk reduction

Reducing supply chain risks is one of the biggest advantages of second sourcing. Companies having single source are facing plethora of challenges due to the outbreak of the pandemic.

Suppliers are unable to deliver materials, thereby, impacting the company's revenue and the customer base. Identifying another supplier in current situation will compel companies to pay a pretty big premium to get replacement supplies, which can also lead to much less profit. But it's still a viable option for companies to keep the production going. Devising a second sourcing strategy in the supply chain will allow other vendors to obtain raw materials. Redundancies built into one manufacturing process could easily be covered by other production units and customers wouldn't see any disruption. Even if supply chain disruptions become frequent, very little supply disruptions will be experienced by customers.



Want to better manage supply chain risks amidst COVID-19 outbreak? Get in touch with our experts to obtain details insights into the second sourcing strategies.

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Cost reduction

Although many CPOs consider second sourcing as a cost consuming process, but it can also lower costs if companies do a realistic evaluation of their total cost of ownership. Second sourcing can prevent supply monopolies that are mainly responsible for higher prices. Collaborating with more than one supplier does not allow a single vendor to have too much leverage in the purchasing relationship. It also drives competition among suppliers and provides companies the opportunity to obtain extra benefits from suppliers. Freight charges can also be cut down if there are multiple manufacturing locations and more than one source to supply.

Innovation

Introducing competition in the business not only drives costs down but also drives innovation in suppliers. Leveraging same sources every year may be refraining companies from the best innovations that a particular category or industry offers. Second sourcing drives suppliers to offer better innovations, meet additional supply demands, and differentiate themselves from other suppliers. It gives companies the opportunity to scale production when in need and keep up with the increasing consumer demand. Realizing such benefits in single sourcing is not possible for companies.

