



# Product Quality Supply Chain Tips for Success



Supply chain refers to the combined resources needed to bring a product or service to market, such as design work, prototype development, raw materials, component parts, logistics, fabrication or service steps, information, packaging, transportation, warehousing, distribution and customer service. Supply chain control is the management of these resources throughout all stages of bringing a product or service to market.

Companies use various strategies to execute a supply chain control plan. Although certain steps in the supply chain may be outsourced, internally managing the plan allows for continuous monitoring, making adjustments and implementing improvements. A well-managed supply chain helps to provide smoother daily operations, identify potential disruptions, support purchase planning, reduce interruptions and increase responsiveness to customer needs. In addition, documentation of all aspects of the supply chain provides opportunities for data analytics to optimize short-term goals, refine business strategies and increase the ability to define long-term capital plans.



### Supply Chain Concerns

The predominant exposure to a company's supply chain is the failure or shortage of one or more resources. Once a design or service plan is complete and ready for implementation, the design and planning resource is less of a concern. However, the remainder of the process is critical to bringing a product or service to a customer. Furthermore, using third-party components that are not adequately tested can lead to product liability claims when product safety is affected.

### What else can go wrong?

- Raw materials and packaging materials are available in limited quantities or intermittently unavailable.
- Component parts are defective, out of specification or unavailable, or production is delayed.
- Production stops due to machinery failure.
- Unavailable sub-contracted service due to material delays, machinery malfunction, a catastrophic facility event, labor shortages and more.
- Lost or corrupted computer data.
- Transportation is delayed due to border, driver, mechanical, roadway or weather issues.
- Warehousing difficulties can result from limited space, insufficient fire protection concerns or increased costs.
- Customer service challenges due to geographical, material, staffing or technology issues.

When your supply chain encounters the unexpected, having adequate controls to identify the problem, communicating to top management and instituting a corrective action plan will allow your company to act quickly and proactively.

### Plan to Succeed

Supply issues, broken machinery, and logistics failures can be anticipated and overcome. Being aware of critical processes, industry trends, past interruptions, and sole-sourced materials and processes allows you to evaluate your company's operations to identify opportunities to plan alternatives, backups, and redundancies. Even so, the processing timeframe may be increased.

### Considerations for Supply Chain Elements

#### Raw Materials/Component Parts/Supplies

- Safety stock maintained
- Detailed inventory management
- Prequalified alternate suppliers
- Long-term contracts
- Regular quality audits

#### Production Line

- Multiple production lines
- Spare production line parts and trained maintenance staff
- Prequalified outsourcing with acceptable Quality Assurance programs
- Support equipment (boilers, air compressors, etc.), backups, maintenance agreements and ease of connection

#### Service Provider Equipment

- An adequate supply of consumables
- Backup equipment is readily available
- Spare parts stocked and trained equipment maintenance staff

#### Labor

- Cross-trained employees
- Prequalified outsourcing available for all locations
- Automation alternatives

**Transportation and Warehousing**

- Company-owned equipment that can be used at multiple sites
- Vehicles that don't require Class A or B licenses
- Cross-trained backup drivers
- Transportation contracts with numerous companies
- Product tracking

**Customer Base**

- Diversified customer base
- Diversified industries served

**Information Technology**

- Data backup
- Data accuracy confirmed through audits

**Plan for Continued Success**

Once your supply chain control plans are in place, remember to review all aspects of them periodically. Suppliers may change their materials or ownership, and contracts may need to be reviewed. Increased stock at your site may require fire prevention re-evaluations. Third-party service providers may change their processes or outsource some of their operations, which can be addressed through regular communication and site audits.

As your company grows, the insurance requirements for your raw material suppliers, component part providers and contract manufacturers may increase. That's why it's critical to develop, audit, test and update your supply chain risk management plan to successfully endure a supply disruption.

**Resources**

[CNA Risk Control's Supply Chain Risk Management Bulletin](#)  
[American Society for Quality/ASQ](#)

For more information, visit [cna.com/riskcontrol](https://cna.com/riskcontrol).

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