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Surgical Instrument Importing Delays  
Baxter Healthcare

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## **Section 1: Supply Chain Disruption – Identification and Description**

### **Introduction**

Baxter International is a multinational healthcare company that provides surgical instruments and medical devices to hospitals across America. They would be considered a distributor because they purchase unbranded products from around the world, place their brand on them, and then use their large network to supply to thousands of hospitals nation-wide (Our Products / Baxter). For the sake of the report, Baxter will act as the focal company because of their broad supplier and customer networks on either side of their business operations.

### **Supply Chain Disruption Identification and Description**

Where the supply chain disruption comes into play is in the shipyards and railyards as shipments of products are being brought to America. It is a common practice to outsource for cheaper products overseas, but the downfall is getting that shipment to and into America and traveling to its destination. The reason for outsourcing to other countries is due to wage disparities. The minimum hourly wage for a manufacturing job in China is \$3.60, Sri Lanka \$.50 per hour, and America is roughly \$15.10 for a production position. (Yan) & (Occupational Employment and Wage Statistics).

Once a product has been made and needs to be transported to America, there are two options: sea shipping or shipping by air. Several variables are considered when choosing a shipment method such as freight rate, transit time, weight, and package type (Air Freight vs. Air Cargo; Is There a Difference?). Shipping by air is much faster and easier to get to the destination because airports are easily accessible, however that comes at a higher cost. Most companies choose to ship by sea due to the reduced costs in comparison to shipping by air. However, when a product is shipped by sea, it has a much longer route to its destination; it can travel on a boat, truck, and train.

Shipment by sea is where the supply chain disruption is located. During the 2020 coronavirus pandemic, the world was put on hold. People could not go to work, people were getting sick, and the world was in a change in demand from the traditional medical instruments and equipment to personal protection equipment, masks, and much more. Some of which were already being distributed by Baxter, and some began to become available through them as the demand changed.

With the increased demand, more shipments were ordered for emergency use. Former Governor Andrew Cuomo signed the “New York State on PAUSE” executive order which included a plea for product providers to sell non-essential products to the state, and he encouraged companies to begin manufacturing PPE Products (Governor Cuomo Signs the ‘New York State on Pause’ Executive Order). With one of the largest states making such a large order and changes to their lifestyles and needs, the rest of America was soon to follow. Hand in hand with the large orders of products to combat COVID-19, many people were contracting the virus, being quarantined, or were laid off.

With the extensive change in employment status across the country, Americans were fending for their health, safety, and finances. With some out of work, the president at the time, Donald Trump signed a proposal for \$2,000 emergency stimulus checks as a Covid Relief bill” (Calicchio) In total, there have been three stimulus relief checks given to the American Citizens. First round in April of 2020 \$1,200 per eligible person, additional \$500 for depended under the age of 16. The second round of checks in December 2020-January 2021 which provided \$600 to eligible citizens and additional \$600 for dependents under 16 (English). Current President Joe

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Biden has an American Rescue Plan that allows for \$1,400 relief checks to eligible citizens (American Rescue Plan).

In addition to the Coronavirus relief stimulus checks, the CARES Act gives states the ability to extend unemployment compensation to workers who are usually ineligible for unemployment benefits (Unemployment Insurance Relief during COVID-19 Outbreak). The CARES Act stands for: Coronavirus Response and Consolidated Appropriations Act (2021) which aids with American families, small businesses, and industries (About the Cares Act and the Consolidated Appropriations Act).

### **Analysis**

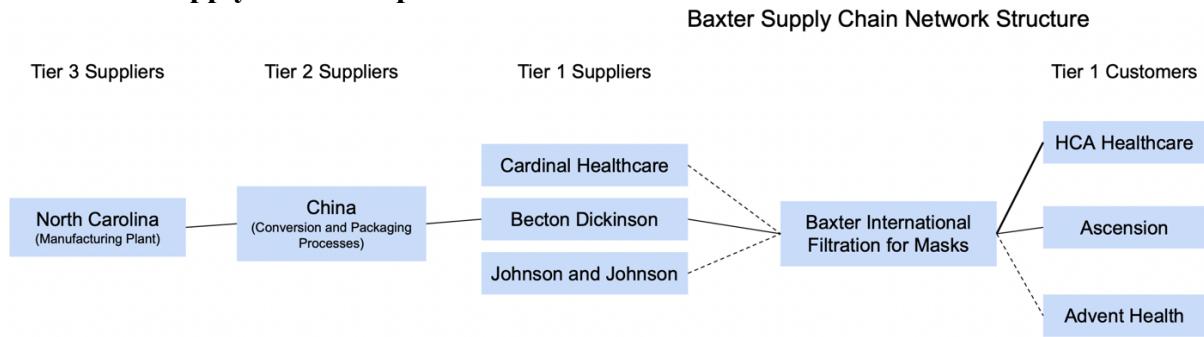
The concerns with the COVID-19 pandemic, CARES Act, Unemployment benefits, SNAP (Supplemental Nutrition Assistance Program), and stimulus checks is the incentive to rely on the government programs to provide for everyday needs. This ties directly into Baxter Healthcare's supply chain disruption operations. With increased demand, and limited labor, there has been a shortage of workers in several areas along the supply chain, some being shipyard and railyard workers to operate machinery and unload containers onto trains and trucks. There is a shortage of truckers to transport the goods from the shipyard or railyard to the final location. Due to the labor shortage, those who are willing to work are getting paid more than before to create more of an incentive to work. The increased costs of payroll are increasing the costs of goods across the board.

My dad works directly in this field and has shared his firsthand insight. Now an External Contract Manufacturing Manager at Baxter, he had a career with distribution of medical instruments and equipment. He explains that the labor shortage to get containers from ships and to their next form of transportation has slowed down the supply chain process tremendously. He stated that prior to the COVID-19 pandemic, he was very skilled in forecasting future shipments and meeting demands with very little safety stock. He was able to receive shipments in a matter of 2-4 weeks and could guarantee that his customers would have high quality product at a low cost, in time or earlier than expected.

Since the pandemic, my father is now waiting over six months for the same shipments, cannot guarantee hardly anything to his customers, and his costs have increased exponentially. He is now required to have a larger safety stock because when the demand changes, it will take a much longer time to receive the stock than before. Prior to the pandemic, he claims that one of his strong suits was that he had great "JIT" (Just In Time) accuracy, however he claims that has been thrown out the window with the delay of lead times. When a customer is in a dire need for a product and waiting over six months to receive a shipment is not an option, the next best solution is to airship from overseas, but as stated earlier, this comes at a cost and is a last resort. To maintain the trusted relationship of distributor and customer, this form of shipment is used when necessary.

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## Section 2: Supply Chain Map



## Section 3: Supply Chain Disruption – Prevention & Response

In hindsight, to prevent this supply chain from being as disrupted as it was, it would have been necessary to find workers or a more efficient schedule to keep workers in the shipyard to unload product. Stopping all unnecessary shipments from arriving and putting a priority on the medical instruments and supplies needed to maintain medical practices with COVID-19.

Competitors were not able to avoid the disruption, as this impacted all imports into America. However, to combat the disruption, companies used their best efforts to create the necessary products within the country to avoid importing issues and instead navigate the cross-country transportation required. For example, alcohol companies began creating hand sanitizer with the help of other professionals and the use of their alcohol supply (Distilleries Making Hand Sanitizer to Fight COVID-19).

The next steps for Baxter are to create a safety stock of supplies that are commonly used. It is important to get ahead of the demand. While forecasting may be difficult as sales and production are changing constantly, it would be very beneficial to create a somewhat-accurate forecast of the next year. Creating a forecasting team by hiring or re-assigning roles would be beneficial to understanding the demand of the day.

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