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Coronavirus fallout affects local tech firm supply chains

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A coronavirus outbreak that slowed work in China also has harmed the supply chains relied on by local companies.

The outbreak originated in China — Florida's biggest trade partner — which has the world's biggest export economy. Each year, Florida imports roughly \$12.2 billion in goods from China, and exports \$1.4 billion worth there, according to the U.S. Census Bureau.

Factory shutdowns in China have disrupted global supply chains, and local manufacturing and tech companies are feeling the hit. Multiple companies in the area source supplies from Chinese companies, and they're now dealing with rising costs and strained business relationships.

That's the case for Orlando-based electronics designer FermiTron Inc., founder and CEO Guilford Cantave told *Orlando Business Journal*. "This is not like anything we've dealt with before."

Rising costs



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There are more than 80,239 confirmed cases of coronavirus in 32 nations as of Feb. 25.

FermiTron first experienced disruption with its Chinese suppliers around the Lunar New Year in early February. That's normal, Guilford said, but due to the virus, many workers didn't return to work.

The company wasn't able to source its usual materials from China, so it turned to suppliers in other countries. But other companies were doing the same thing, meaning it took longer to get the supplies and they cost more, Guilford said.

The non-Chinese suppliers are either at or over capacity because of the virus, Guilford said, meaning it'll be tough for firms that weren't prepared beforehand to find other options. "If you're starting to search for suppliers now, you might be in a bad position."

Even companies that don't source supplies directly from China are feeling the effects of the virus. Orlando-based Global Technology Integrators LLC, which makes light, fog and other practical effect simulators, has stopped travel to Italy, President Tony Oxford told *OBJ*.

Italy has experienced more than 650 confirmed cases of coronavirus, and GTI works with suppliers there. "It hasn't interrupted the supply chain for us, but it's definitely interrupted us when it comes to travel — either us going to them or them coming to us. And that does have a ripple effect."

Finding a fix

Meanwhile, FermiTron is locked into contracts with its current projects, so it cannot raise prices and has to take the hit for using more expensive supplies, Guilford said. In future deals, the firm may raise prices to mitigate the rise in costs. It's difficult to develop a contingency plan because it's unclear how long work stoppages will continue. "No matter what experts say, nobody really knows."

For GTI, the virus outbreak comes at a bad time. The company is in the middle of developing a relationship with its Italian partners, Oxford said, and those efforts will be postponed until the outbreak subsides. The inability to build those in-person business relationships is especially tough for a small firm like GTI — which employs 12

people — Oxford said. "It's personal relationships. It's absolutely not brand relationships for most small companies."

A global outbreak

Coronavirus is transforming into a global issue. There are more than 83,694 confirmed cases in the world as of Feb. 28, in 53 nations, including 78,959 confirmed cases in China (2,791 deaths), 2,337 in South Korea (13 deaths) and 650 in Italy (17 deaths), according to the World Health Organization.

That includes 60 confirmed cases in the United States, with no deaths. Of those, 15 cases were diagnosed in six states: Arizona (1), California (9), Illinois (2), Massachusetts (1), Washington (1) and Wisconsin (1). The rest of the U.S. cases were people returning from China or the Diamond Princess cruise ship that docked in Yokohama, Japan.

In addition to the rising business costs, Guilford said he is concerned about the human toll. Hospitals and government leaders need to have strategies to deal with the virus if it becomes more widespread in the U.S., he said. "I'm hoping they have plans in place."

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