

A post-COVID-19 study:

THE FUTURE OF GLOBAL SUPPLY CHAINS

How global supply chains are affected by
and adapting to the effects of COVID-19

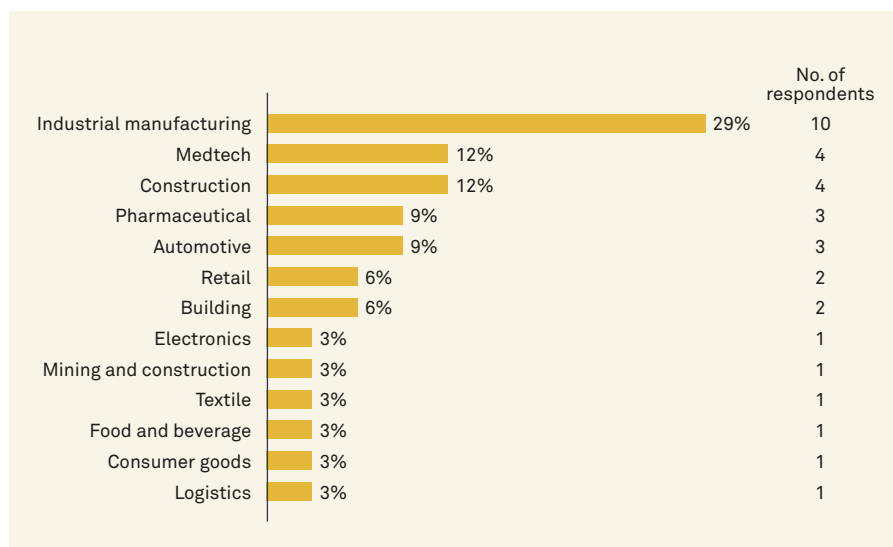
Overview

In June 2020, we have conducted 34 interviews with supply chain executives across industries with **the purpose of creating a better picture of the consequences of COVID-19**.

As the focus of this survey is on global supply chains, all the companies that we interviewed have multinational presence in the private sector and are headquartered in Denmark, Sweden and Germany. Key questions addressed include:

1. How has the crisis affected the company's supply chain agenda for the coming 1-2 years?
2. What are the learnings when hit by a major demand disruption?

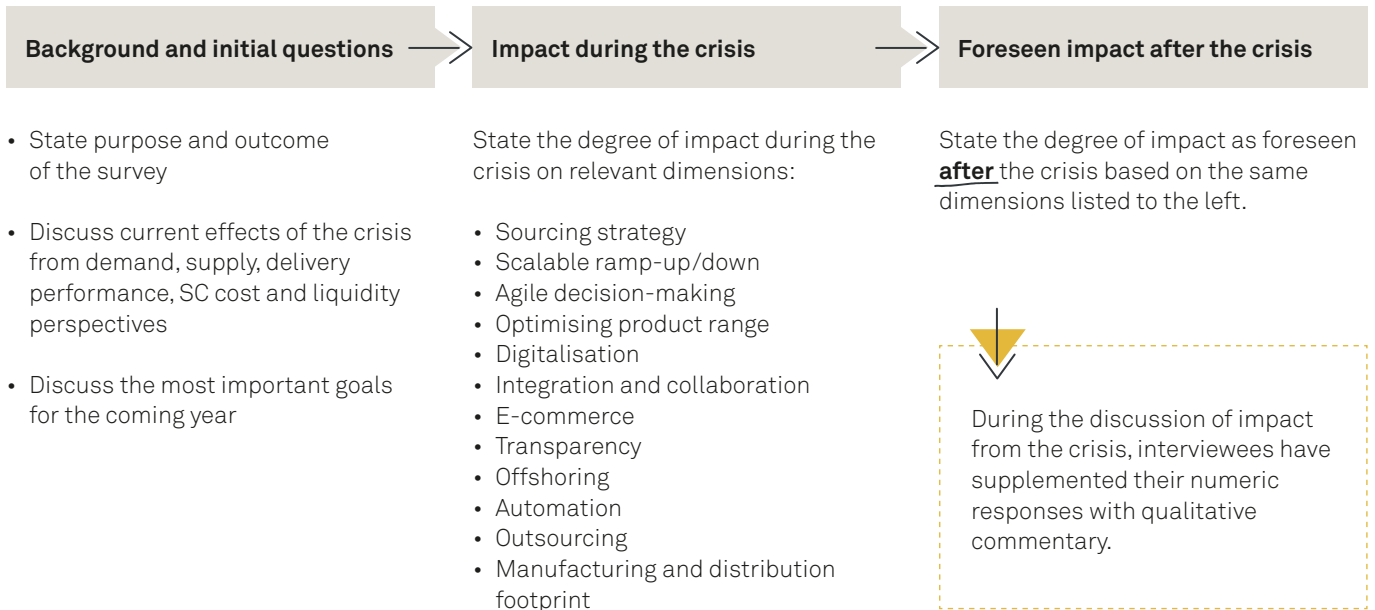
The conclusions presented are not meant to be exhaustive and are purely based on the sample of the 34 companies interviewed.



The 34 respondents are distributed across various industries with industrial manufacturing, medtech and construction as the three main industries.

How the survey is structured

Interview agenda:



Conclusions based on Implement's SCM survey, June 2020



Back to business

- There is **no “new normal”**. The themes and disciplines we know are still as valid.
- Apart from sourcing strategies, the majority of companies agree that **COVID-19 does not change their core supply chain strategy**. Despite uncertainties of how long the transition phase will be, most businesses **will return to business as usual eventually**.
- Some industries are exceptions to this. For example, the retail industry, which has been one of the hardest hit, is expected to take longer to get back to business as usual after the disruption.



Acceleration in strategic initiatives

- Companies realise that **some supply chain topics have become more important** than ever due to the crisis, because their demand or supply chain has been hit significantly.
- The crisis has increased the urgency for management to accelerate the development on **some key activities that had previously been postponed**, for example redesigning manufacturing and distribution footprint, digitalisation, transparency, automation and omnichannel/ e-commerce.



Supply risk

- Some companies have faced **serious supply issues** during this period. Companies stated that supply risk diversification in the form of **dual and multiple sourcing and regional supply setup** can help ensure more stable supply.
- Moreover, many supplier relationships were admittedly not prioritised or collaborative enough in the past. Several companies aim to start **joint investments with suppliers to strengthen partnerships**.



Crisis management

- There is a perception that general **collaboration in companies has worked well during this period**, and that it has been possible to make good as well as difficult decisions quickly.
- The collaboration across the company's functions has been strong and effective, and **"corporate theatre" has disappeared during the crisis**.



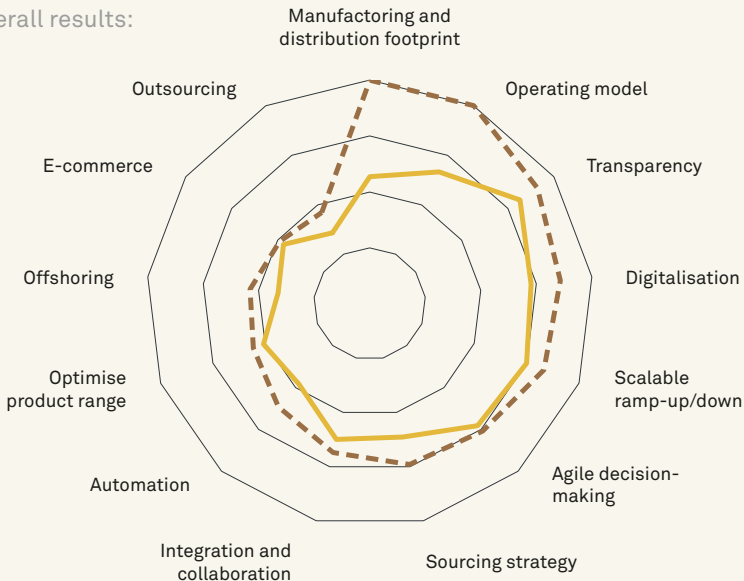
Operating model

- The operating model can be optimised by greater utilisation of **virtual collaboration, less travel activity and more frequent touchpoints**.
- Companies have started more virtual collaboration with customers and are interested in learning **how to "work from home" smarter**.

Impact during and after crisis across key dimensions

— During — After

Overall results:



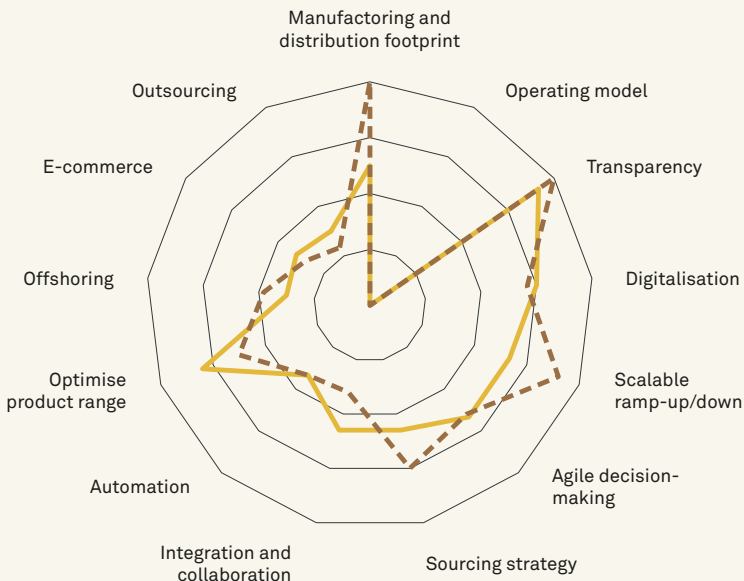
Key findings

Most important areas going forward are:

- Manufacturing and distribution footprint
- Operating model
- Transparency
- Digitalisation
- Scalable ramp-up/down



Industry deep-dive: Pharma and medtech



Key findings

- Companies in the pharma and medtech industry have observed demand and sales performance increases during COVID-19 contrary to other industries. Their main focus areas were scalability and securing of supply during the crisis.
- The areas noted with the highest importance after the crisis are manufacturing and distribution footprint, transparency and scalability.
- Transparency is the most important attribute both during and after the crisis.

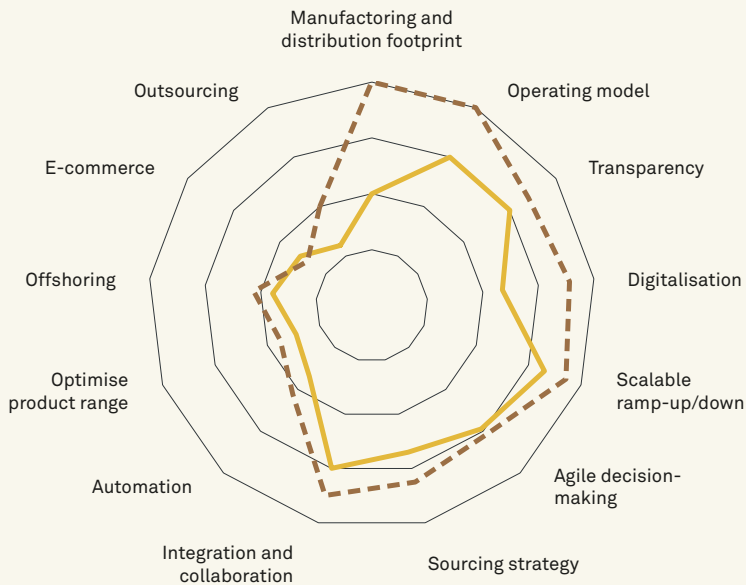
There are discussions at European regional level in terms of whether products should have a **higher degree of closeness to the markets** in order to secure supply.

We do not have the **level of transparency** that we want from suppliers.



Industry deep-dive:

Industrial manufacturing



Key findings

- Industrial manufacturing companies stated to have been negatively impacted by the crisis as their demand and sales performance decreased during COVID-19.
- Manufacturing and distribution footprint, operating model and digitalisation are of the highest importance after the crisis.
- Operating model, transparency, scalability and agility are the most important parameters during the crisis.

Our distribution setup has been based on a central warehouse in Denmark, so in order to close down completely, we had to **quickly establish warehouses** in different countries outside of Denmark.

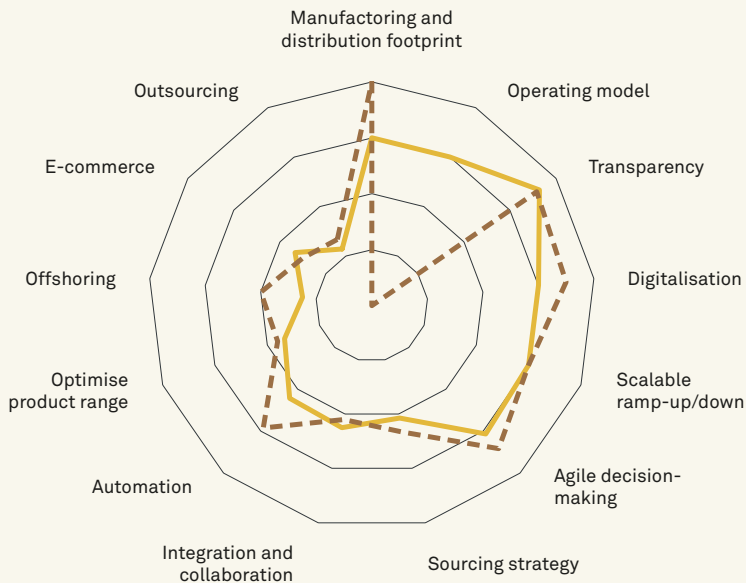
A long supply chain creates tied-up capital.

Flexibility and alternative services are key.



Industry deep-dive:

Building and construction



Key findings

- Building and construction businesses reported to be negatively impacted by the crisis as their demand and sales performance decreased during COVID-19.
- After the crisis, manufacturing and distribution footprint is ranked highest in terms of importance.
- During the crisis, transparency and agile decision-making were the most important parameters in facing the disruption.

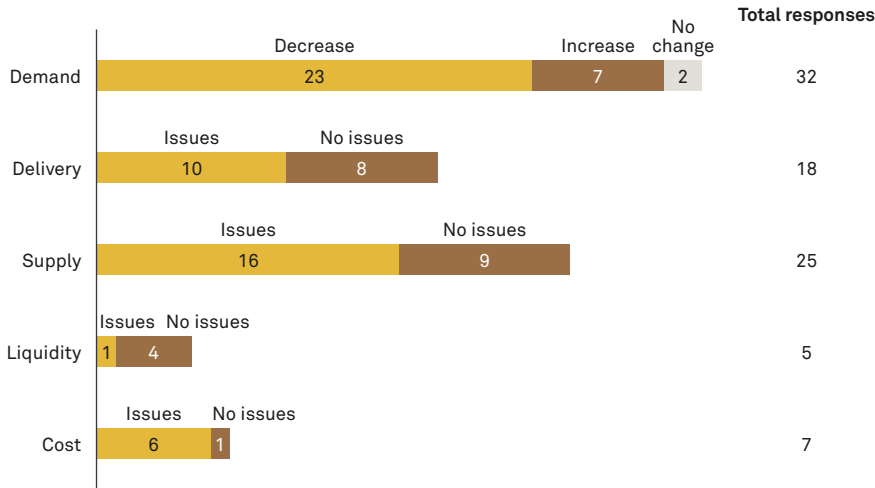
Revisit the distribution footprint within the EU... (current) **decentralised warehouse structure** has been able to provide better service.

How to **“work smarter from home”**... with virtual collaboration with customers.

We have **more regional focus** – close to sales – but this has also been a process before COVID-19.

Effects from COVID-19 based on qualitative inputs

Q. What are the current effects from COVID-19 (relative to performance before the crisis)?



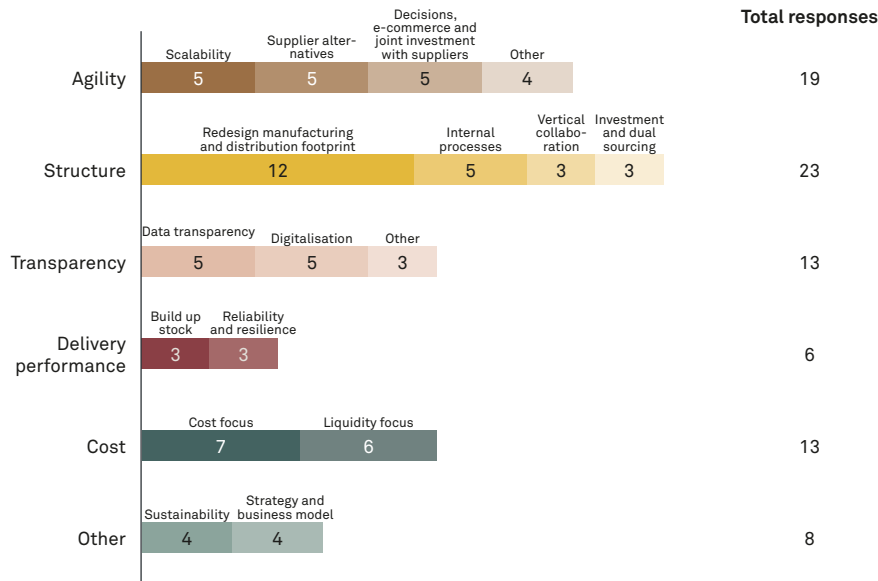
Comments

- Key drivers of demand decrease include stagnating growth of incoming orders and increased order cancellations/postponements.
- Delivery issues were driven by long lead time and capacity constraints.
- Supply issues were mainly due to cross-boarder delivery struggles, closed down production and financial issues at the supplier.
- Need for more loans to support ongoing business.
- Increased cost due to demand in costly services such as transport and inventory costs.



Most important goals for the coming year based on qualitative inputs

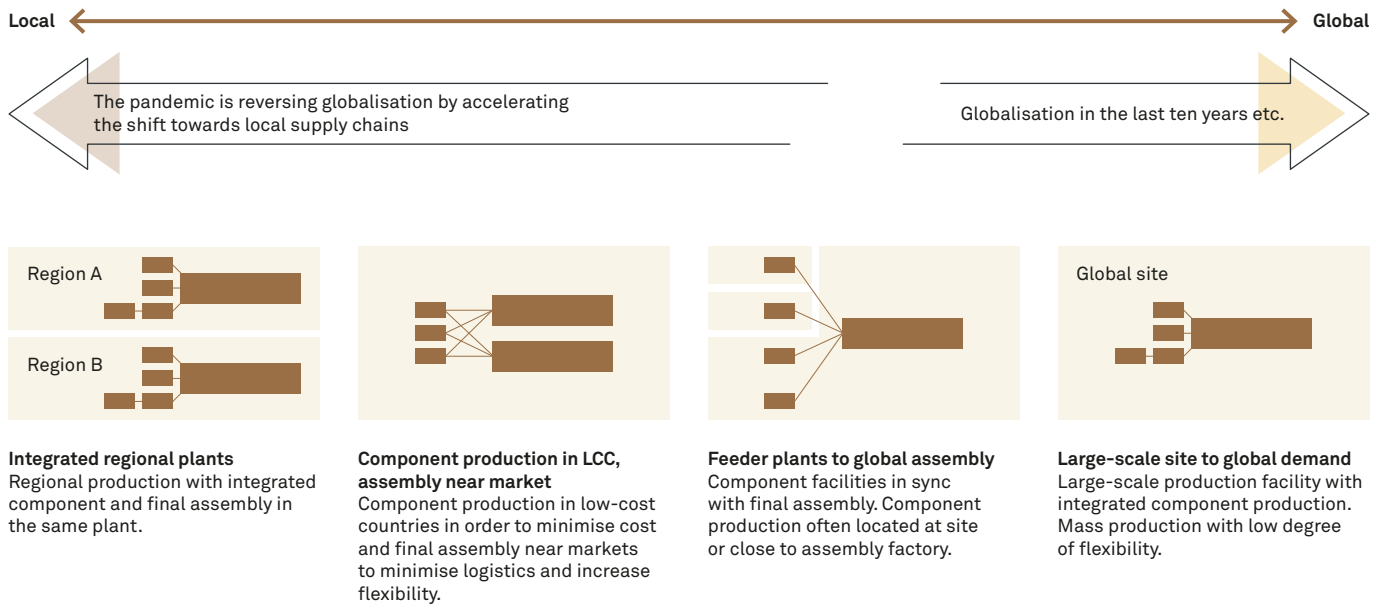
Q. What will be the most important goals for the coming year?



Comments

- Scalability and increased supplier alternatives are key focuses within agility.
- The majority of respondents prioritise redesigning manufacturing and distribution footprint.
- Data transparency and digitalisation are key themes.
- Focus is split between stock build-up and supply chain reliability and resilience.
- Focus is on both cost and liquidity.
- Focus is on sustainability and strategy.

Manufacturing and distribution footprint could be limited to a few network setup archetypes



Considerations extracted from the interviews in regard to footprint after the crisis

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| <ul style="list-style-type: none"> • Serve regions instead of countries • Products should have a higher degree of closeness to markets to secure supply • Revisit the manufacturing and distribution footprint within the EU • Less dependent on the only central warehouse in DK and establish warehouses outside of DK • Decentralised warehouse structure has been able to provide better service • Local presence and production is getting more important • “Glocal” supply chain focus | <ul style="list-style-type: none"> • Go for more DCs (risk and growth) • Gradually less focus on China and other low-cost country production, more production in DK • Almost no production in China due to political uncertainty and increase in labour costs • Stay close to headquarters | <ul style="list-style-type: none"> • N/A | <ul style="list-style-type: none"> • N/A |
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How can we help?

Read more about the five themes and the importance of sustainability which are key to successfully adapting your supply chain to match the dynamic market changes:



Risk management

End-to-end work on risk exposure, risk transparency and proactive risk management.



Structure

Make / Buy, (dual) sourcing, manufacturing and distribution footprints.



Transparency

An overview of inventory and order promises across the external supply chain and demand sensing.



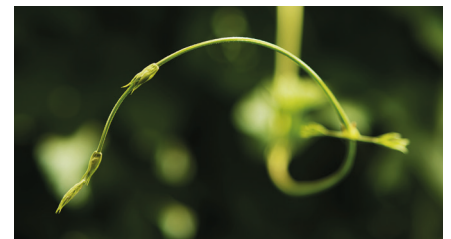
Agility and antifragility

Shorter planning cycles, agile decision-making and execution, scalability.



Alignment

Moving from silos to a value stream focus and vertical integration.



Go green

The sustainability agenda will be accelerated and green practices will gain significant ground.

Would you like to know more?

Read more [here](#).



Contact

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