



**“Define new ways of
realizing value with a
resilient and invigorated
Supply Chain”**

April, 30th



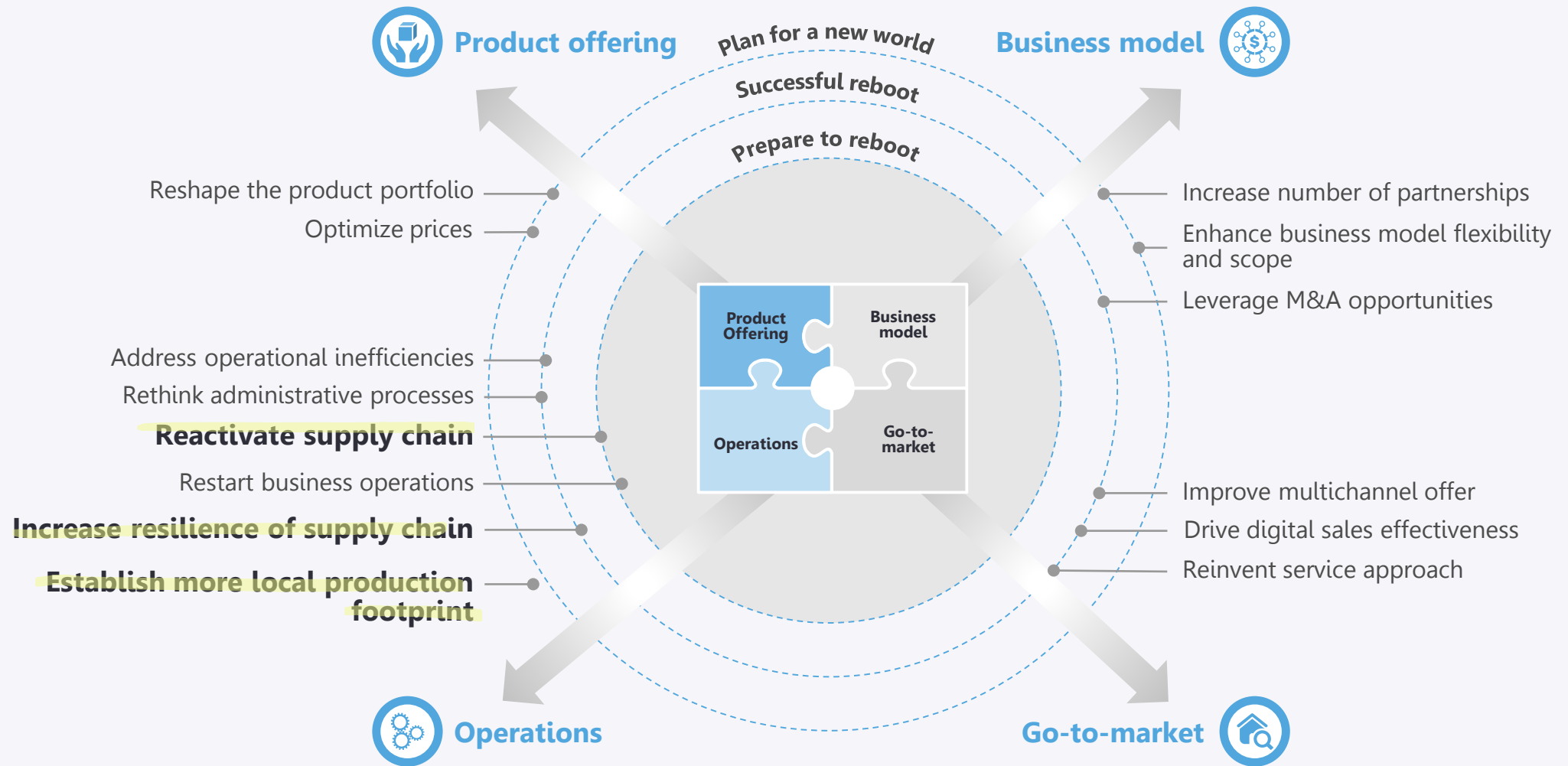
The better the question. The better the answer.
The better the world works.



EY

Building a better
working world

There are several key initiatives that players in the Industrial sector should consider to counteract the current situation and leverage on opportunities

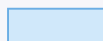


By addressing some key initiatives now, companies can prepare for a successful reboot after the lockdown phase is over

	Initiatives	Description	Priority	
Prepare reboot	Restart business operations	<ul style="list-style-type: none"> ▶ Business operations have stopped and the production is currently at a standstill in many companies ▶ Take measures so that production, admin processes and sales can restart as soon as the restrictions are lifted 	<p>NOW</p> <p>These measures should be carried out immediately to get a head start</p>	
	Reactivate supply chain	<ul style="list-style-type: none"> ▶ The supply chain has been impeded by the worldwide spread of the Covid-19 virus ▶ Essential to get in touch with suppliers and customers now, since it will take time to restart the supply chains 		
Successful reboot	Improve multichannel offer	<ul style="list-style-type: none"> ▶ Due to contact ban, the (offline) sales strategy has been disrupted and quickly converted to digital channels ▶ Important to leverage the current dynamic and further develop position in digital sales channels 		
	Reinvent service approach	<ul style="list-style-type: none"> ▶ Not possible to maintain a service approach that is based on frequent on-site visits ▶ Necessary changes through technology can lead to cost savings and open doors for new business fields 		
	Drive digital sales effectiveness	<ul style="list-style-type: none"> ▶ Sales activities are mainly carried out by field service employees who are currently unable to reach customers ▶ A digital strategy turns the back office into a sales force in order to reach the customer more easily and efficiently 		
	Leverage M&A opportunities	<ul style="list-style-type: none"> ▶ Currently the overall competitive environment could offer potential to undertake M&A actives ▶ Firms in financial distress might be worthwhile targets to pursue 		
Adapt to a new world	Rethink administrative processes	<ul style="list-style-type: none"> ▶ Companies are forced to explore new communication methods due to the shutdown of offices and plants ▶ Administrative processes need to implement those methods after the crisis to increase efficiency 		<p>RIGHT AFTER</p> <p>Important topics, typically addressed when business is stabilized</p>
	Increase resilience of supply chain	<ul style="list-style-type: none"> ▶ Covid-19 crisis shows the vulnerability of many companies and their dependency on individual suppliers ▶ A re-assessment of the supplier base can mitigate the risk 		
	Address operational inefficiencies	<ul style="list-style-type: none"> ▶ Lately, many operational aspects had to be reconsidered due to the lockdown ▶ This offers the opportunity to identify and evaluate operational inefficiencies in the 'old' processes 		
	Establish more local production footprint	<ul style="list-style-type: none"> ▶ The crisis has displayed the vulnerabilities of global supply chains ▶ Reduction of dependency of the whole production on one specific region will be considered by many companies 		
	Enhance business model flexibility and scope	<ul style="list-style-type: none"> ▶ The market is and will continue to be characterized by volatility and uncertainty ▶ Companies think about making their business model more flexible and tolerant to effects of any crisis 		
	Reshape the product portfolio	<ul style="list-style-type: none"> ▶ Product development and innovation has currently slowed down across all companies ▶ Reshaping of the current product portfolio might represent an opportunity to gain long-term advantage 		
	Increase number of partnerships	<ul style="list-style-type: none"> ▶ Many companies are currently alone with their risk and their exposure ▶ Partnerships can decrease the risk for both companies and make them less vulnerable to economic shocks 		
	Optimize pricing	<ul style="list-style-type: none"> ▶ Companies built up inventory during lockdown due to lower demand ▶ Review pricing directly after the crisis (reductions to lower inventory to get cash vs. stick to prices) 		



Critical areas

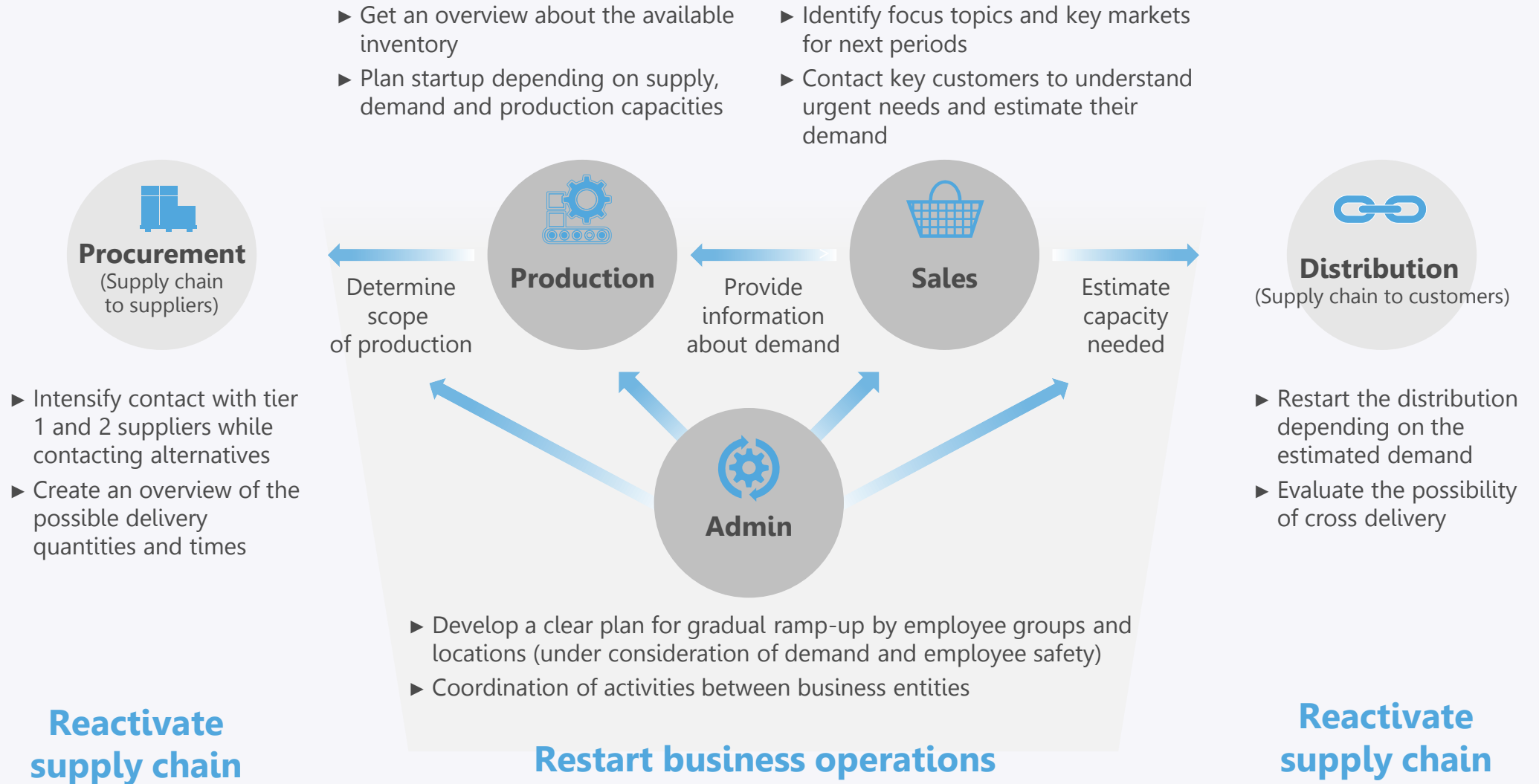


Indirect impact on Industry 4.0

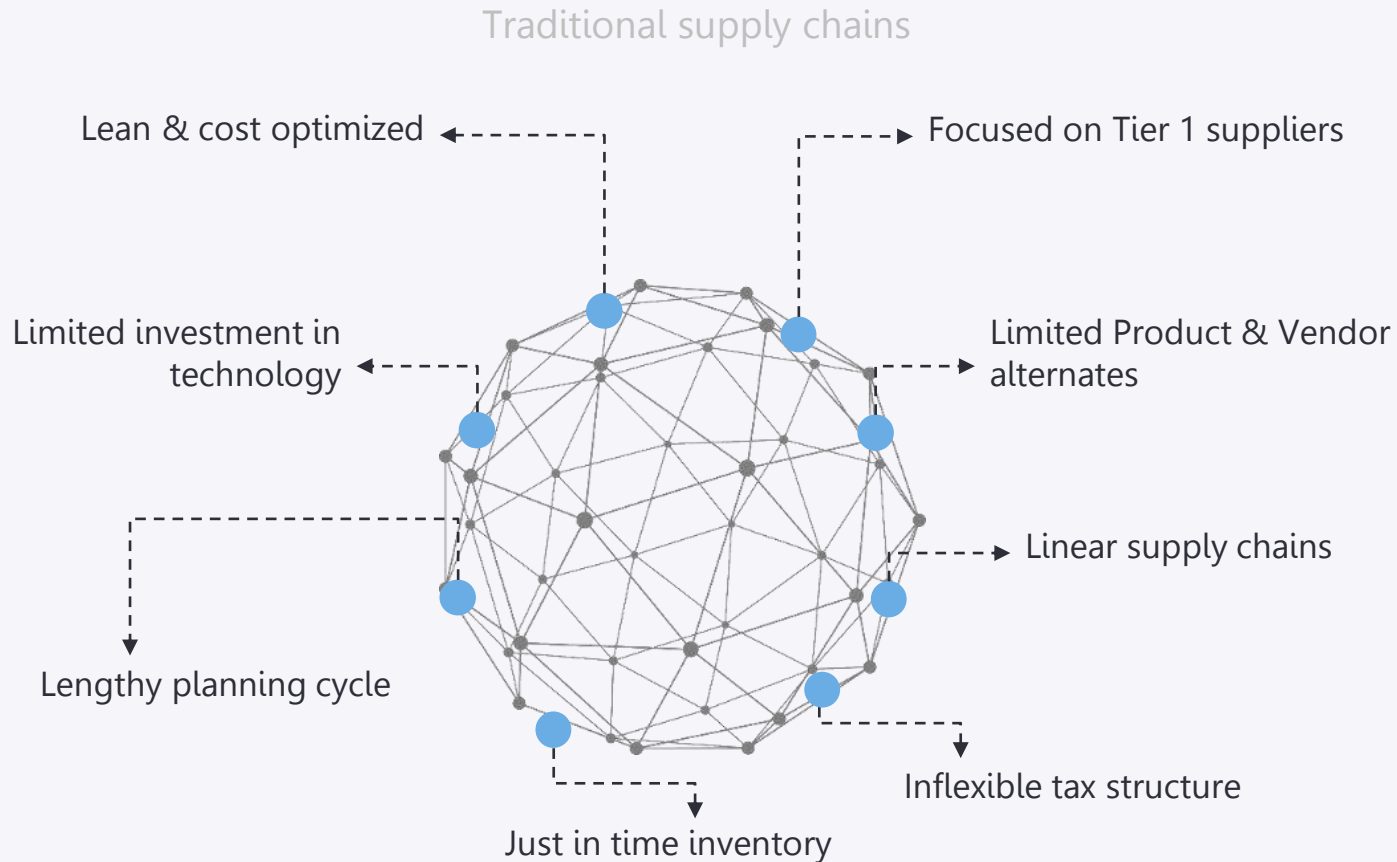


Today's presentation

For a successful reboot of operations, close coordination and frequent exchange of information across all relevant entities in the organization needed



Traditional global supply chain structures are not equipped to effectively cope with increasing numbers of unplanned disruptions



Main Challenges	
➤	Geographic concentration
➤	Vendor concentration
➤	Low levels of safety stock
➤	Limited flexibility
➤	Poor data integrity, quality and security
➤	Outdated contingency plans
➤	Untested crisis incident management

Resilience is not inherent in today's Supply Chain structures

How prepared and resilient is your business for local, regional or global disruption?

	Typical practice	1	2	3	4	Leading practice
1.	Contingency and scenario planning are occasionally run; little follow-up on outcomes.					Contingency and scenario planning are run at least annually with investment and mitigation taken on priority risk scenarios.
2.	Teams are distributed globally and need phone calls, email to track down their whereabouts.					Emergency response management system in place can report on whereabouts and safety of staff in minutes.
3.	There is no single consolidated view of supply chain capacity, availability, product flows & working capital.					There is a real-time digital twin of the extended supply chain, including many customers and suppliers.
4.	Inventory visibility is based on historic reporting to calculate coverage duration.					Real-time inventory and coverage visibility allow critical items to be prioritized for alternate sourcing.
5.	There is a reactive response to disruptive events hours or days after the first event.					Proactive scenario planning is based around tested contingency plans, with contingencies activated early.
6.	There is no single view of total bill of materials (BOM) and component or material criticality/risk.					There is a clear view of BOM and criticality with strategies in place in strategic stock holding or alternate source/materials.
7.	There's no clear view of supply base/critical immediate supplier dependencies, multiple single-source items.					There is a clear view of tier 1 and 2 supply base with alternate suppliers for key materials and ongoing financial health monitoring.
8.	There are no standardized ways of working in different countries and regions.					Ruthlessly standardized processes and ways of working enable staff or work mobility in the event of crisis.
9.	Sales & operations planning (S&OP) is monthly meeting with patchy attendance from different functions.					S&OP is a monthly process owned across the organization, allowing rapid midcycle scenario planning if needed.
10.	Multiple outdated systems in offices, warehouses and factories exist, with occasional cyber/risk reviews.					There are systematic rolling cyber and risk health checks, regular updates maintaining security over own & third party access points.
11.	No integrated view on contingency - alternative sources of supply, manufacturing capacity shifts, 3rd party contingency manufacturing / storage					Dynamic integrated modelling capability (e.g. evaluate full landed cost and shipping / service impact including tariffs and customs clearance procedures)

Supply Chain Resilience Assessment & Strategy EY Framework

Leadership Alignment

Data & Reporting

Assess Supply Chain Risk

1

Conduct current state end-to-end supply chain risk assessment covering demand and supply risks, operational performance, global trade implications, customer impact, people aspects, and more resulting in a calculated risk index

Define Scenarios

2

Identify scenarios designed to stress test an operation's ability to manage disruption and evaluate the severity of impact of current state gaps using risk assessment findings and data

Identify Supply Chain Gaps

3

Activate existing crisis management policies and protocols in each disruption scenario to identify gaps within current supply chain model including qualitative and quantitatively impact

Develop Potential Response

4

Define potential response triggers to prevent crisis impact or enable agile response to mitigate repercussions considering people, process, and technology factors

Build Intervention Business Case

6

Build resiliency intervention business case to implement validated crisis response triggers including requirements, solutions and value proposition

Validate Response Effectiveness

5

Execute simulation of crisis scenarios to test effectiveness of defined potential responses to validate effectiveness against an established success criteria

Simulate Stress Test!

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“Stress Tests” simulation will provide valuable insight on critical gaps within the supply chain that can impact the customer

Of the many approaches available to demonstrate operational resilience, simulations provide an effective mechanism for companies to assess operational capabilities and crisis preparedness

By conducting simulations, companies can:

Validate management governance

including process for timely escalation, coordination and communication of decisions by senior management

Evaluate participants’ familiarity with their roles and responsibilities

to execute relevant operating policies, plans, procedures and playbooks during crisis

Identify shortcomings

in existing operating policies, plans, procedures and playbooks including supporting processes and capabilities to proactively address and enhance in advance of an actual crisis

Train and educate participants

on crisis management protocols, their role and responsibilities to execute key actions, and strategies, and to provide institutional knowledge for maintaining operational continuity during crisis

Confirm completeness, relevance and ease of use of operating policies, plans, procedures and playbooks

to identify areas requiring updates and refinements to existing documentation

Now more than ever, companies need to shift from a reactive to a preventative mindset when managing the supply chain

Higher expectations for enhanced client experience

Client demand for

- Uninterrupted, 24/7 access to products and services
- Increased confidence in security and confidentiality of their data

Augmented impact due to disruptive events as business globally connected

- Cross-region impact on supply chain from supplier to distribution
- Speed to adjust or adapt in crisis scenarios difficult to manage on a global scale



Increased operational complexity

- Highly complex and inter-connected operations susceptible to increased operational outages and breaks
- Heavy reliance on third-party service providers located globally

Faster pace of technology advancement

- Pressure to embrace newer technologies (e.g., digital) to stay competitive
- Aging infrastructure and legacy systems prone to outages and posing integration challenges with newer systems and applications

Greater tax and global trade complexity, international connectivity & penalties

- Fiscal, trade and regulatory landscape is every more complicated with enhanced exchange of information, international co-operation and alignment.
- Cost of failure is high (punitive fine, taxes, custodial sentences and PR impact)

In closing...

Now is the time to get control of the current crisis and invest in the build-out of a more resilient supply chain.

There is a new normal that needs to be addressed.

“

I have been impressed with the urgency of doing. Knowing is not enough. We must apply. Being willing is not enough. We must do.

— Leonardo da Vinci





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EY

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