

COVID-19: The Day After Tomorrow

Is your procurement organization ready for post COVID-19?

The COVID-19 outbreak has seen certain restrictions placed on the flow of both people and goods across international borders and even domestic regional territories. People and goods are the lifeblood of all businesses and disruption of these flows will have a severe impact on the immediate and longer term condition of your business.

With manufacturing output in Europe at its lowest level of the past decade¹, and China's economic activity still 25% lower than this time last year, **resource scarcity** is becoming a real challenge that will continue over the medium and even longer term. This is being reinforced by manufacturing companies repurposing their production lines to support in the fight against the pandemic.

Government measures to shut international borders are adding to the scarcity by limiting companies' ability to source globally, while average lead times have more than doubled between regions since the beginning of the health crisis².

As governments begin to prepare gradual lockdown exit strategies, it is very likely that we will see a significant **surge in demand** for goods and services. We can expect an imbalance in supply and demand, resulting in price spikes.

The main challenge will be to secure supplies in a high demand environment. Many less resilient suppliers and vendors will have faced bankruptcy or will be suffering from a lack of inventory due to the fact that companies have already been drawing on their reserves for the past few months.

What actions should you be taking now to make sure you are ready for post COVID-19?

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|---------------------------------------|---|
| Short Term
(now) | <ul style="list-style-type: none"> <input type="checkbox"/> Ensure business continuity: identify critical suppliers to your business and engage in discussions to understand their current challenges and priorities. In case of bottlenecks, assess alternative options from the existing supplier base or call on former suppliers. <input type="checkbox"/> Secure capacity: place upfront orders to ensure availability and/or priority over your competitors and show your support for your commercial partners. <input type="checkbox"/> Evaluate near-shore supply options: to overcome transport shortages and international border closure, seek local/regional alternatives to ensure smooth delivery. |
| Medium Term
(next 12 weeks) | <ul style="list-style-type: none"> <input type="checkbox"/> Strengthen your partnerships: make resources available to your critical suppliers to ensure their business continuity and help balance their cash flow (e.g. proceed with early payments, lend machinery, share expertise etc.). <input type="checkbox"/> Review your supplier portfolio: qualify new reliable sources of supplies to ensure back-up solutions, mitigate your risk exposure and increase competition to maintain cost at a reasonable level. <input type="checkbox"/> Look beyond your immediate suppliers: map beyond your tier 1 suppliers. Encourage risk and performance monitoring of critical suppliers across the value chain to ensure no weak link can jeopardize your whole organization. |
| Longer Term
(next 6 months) | <ul style="list-style-type: none"> <input type="checkbox"/> Invest in real-time information: equip your company with real-time supplier data to manage supplier performance and anticipate upcoming issues. <input type="checkbox"/> Invest in automation: automate low value-added tasks to reinvest time and effort in strategic activities. <input type="checkbox"/> Invest in supplier diversity: engage in supplier portfolio diversification, embedding supply market intelligence into your sourcing activities. Support the development of supplier capabilities to foster competition and increase alternative supply sources. Allocate volumes strategically to reduce risk exposure and ensure your organization is future-proof. |

¹ IHS Markit Eurozone Manufacturing PMI, March 2020

² ISM: Covid-19 Global Supply Chain Disruptions Continue, April 2020



How can KPMG Procurement Advisory help you to prepare for post-COVID-19?



Client Concerns	<ul style="list-style-type: none"> <input type="checkbox"/> Do we have enough resources to support COVID -19 procurement related activities? <input type="checkbox"/> Are our resources knowledgeable enough on the actions required to solve existing issues and create a future-proof state? 	<ul style="list-style-type: none"> <input type="checkbox"/> Do we face shortages of critical supplies for our production? <input type="checkbox"/> Do we receive less than expected quantities from our suppliers? <input type="checkbox"/> Do we experience significant delays in deliveries? 	<ul style="list-style-type: none"> <input type="checkbox"/> How well do we know our own suppliers? <input type="checkbox"/> How can we remain the preferred business partner of our suppliers? <input type="checkbox"/> What can we do to support our strategic partners during these unprecedented times? <input type="checkbox"/> How can we limit ripple effects throughout our supply chain? 	<ul style="list-style-type: none"> <input type="checkbox"/> Do we have access to the right information to support our decision-making? <input type="checkbox"/> How can we spend less time on low value-added activities? <input type="checkbox"/> How can we ensure the proper implementation of these new solutions?
Our solution	<p>Extension to your team/ staff augmentation</p> <p>Providing our highly skilled resources with significant industry knowledge and procurement expertise. Our experts will act as an extension of your team and can help you deal with the extra workload generated by the pandemic.</p>	<p>Implementation of contingency supply options</p> <p>Using carefully selected AI technology, we help companies reduce their risk exposure by identifying new supply sources. The technology leverages new digital solutions and big data to make it easier for Category Managers to source new products, goods, and services.</p>	<p>Redesign of your supplier portfolio management</p> <p>KPMG's framework provides a holistic view of supplier management – from strategy development to operational execution. We support you to find the best-fit supply base for future development and improve supplier performance to ensure long term supply chain sustainability.</p>	<p>Technology-enabled procurement solutions</p> <p>Our Powered Procurement methodology uses pre-built assets and accelerators to deliver your technology projects and transform your procurement function safely and successfully.</p>
Outcome	<p>Procurement professionals with the required skills embedded into your existing operations; crisis response team addressing COVID-19 related business challenges and activities.</p>	<p>Our methodology can lead to process efficiency improvements, reduce scouting time, and increase the number of newly identified suppliers.</p>	<p>We support your organization to execute a redesign of your supplier management framework to increase competition, reduce dependencies, and capture innovation</p>	<p>Our methodology can help you save time. We leverage our successful implementation experiences to anticipate bottlenecks and ensure a smooth transition for your team.</p>

Contact us



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