

The background features a dark blue grid with various data visualizations. On the left, there are vertical bars of varying heights in shades of blue and white. On the right, there is a line graph with a jagged, step-like pattern, also in shades of blue. The overall aesthetic is that of a financial or data analysis dashboard.

COVID-19 Megatrends

Shifting demands and Disrupted supply chain

What is the immediate impact and what happens next?

Disruption to a New Normal

In the wake of the COVID-19 crisis, a wave of new trends will emerge that are going to transform the way we are looking at certain sectors.

In this report, we take a closer look at the underlying movements and fundamentals of the megatrends evolving around an anticipated reduced export and a regionalised demand. We look into the disruption of the global supply chains that will cause ripple effect to our local markets. Finally, we provide an overview of the Danish business landscape and the impacted sectors.

Our recommendations and advice suggest that companies that are able to rapidly adapt to the new normal can turn the crisis into a potential growth case.

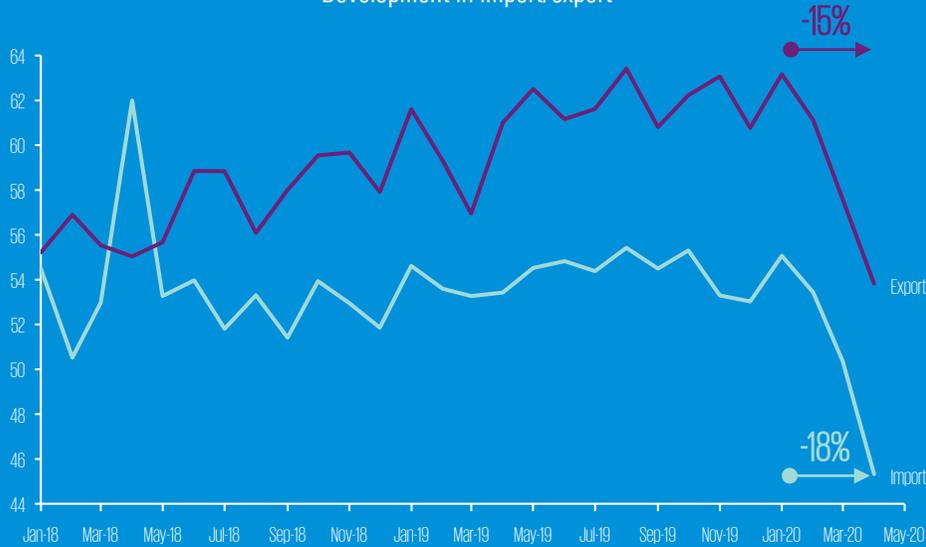
We hope that this report will help business leaders to get a better understanding of the opportunities that will emerge after the crisis.



Mads Bjerregaard
Director, Advisory

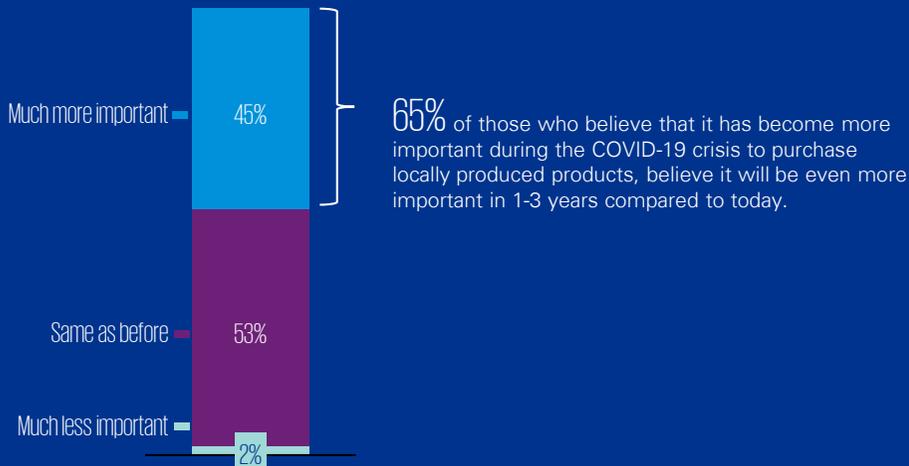
01 Impact

Development in import/export



Source: Danmarks Statistik and KPMG Analysis.

KPMG Survey for consumer behavior



Question: During the Corona crisis has it become more or less important for you to buy Danish produced products?

Source: KPMG Survey

Impact

Double-digit decline in international trade and increased local demand

Danish import and export have suffered an immediate steep decline as a direct consequence of the global economic stagnation.

An increased demand for local products and services following the COVID-19 crisis is also impacting international trade.

Our view

The immediate consequences of the global pandemic have forced certain sectors, such as manufacturing and transportation & logistics, to rapidly adapt to a changed world with new market dynamics.

Our analysis suggests that the post-COVID-19 customer prefers local and personalised products and services, which could turn into an enduring trend. Our advice is to understand the ongoing sentiment development and be prepared to bring products and technologies to new markets.

Business leaders could turn the crisis into a growth case by exploring adjacent sector partnerships. A traditional view on strategic fit might not be sufficient, and the willingness to change rapidly could be central for success.

"In order to turn the COVID-19 turbulence into a growth case, which is possible for most proactive companies, business leaders need to quickly adapt to the new normal and not be afraid to explore alternative business models and implement new technologies."



Martin Andersen
Partner, Advisory
CFO Advisory

Impact

Enduring trends are leading to a new normal of the traditional supply chain

COVID-19 had a profound impact on production as the world's leading industrial nations closed factories and restricted people's movement to deal with the pandemic. Together with demand surges in healthcare equipment and essential goods, COVID-19 has stretched global supply chains thin.

Our view

The global pandemic will have profound impacts on both the short-term and long-term approach businesses should take to their supply chains.

In the short term, the focus should shift from just-in-time to just-in-case. By this we mean that securing goods rather than minimising inventory should be the goal. The risk of disappointing your customers and the subsequent long-term impact on your business should outweigh the costs of too high inventory levels.

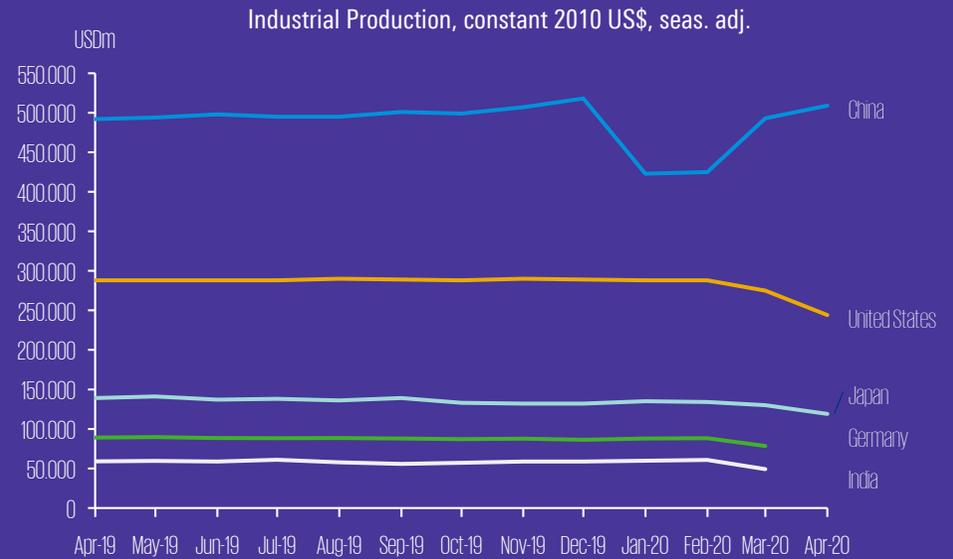
Beyond the COVID-19 crisis, we believe that a new normal for the traditional supply chain will emerge. Our advice is to build agility and speed into the supply chain as navigating in the new normal requires geographical diverse suppliers and a partial substitution to regional suppliers.

We recommend that these risk-mitigating actions are supplemented by a thorough stress test of the entire supply chain for a complete view of the actual underlying risk.



Mads Fink-Jensen
Partner, Advisory
Operations

"Business leaders need to develop agile supply chains that enable a diversification of the supplier base. Stress testing the supply chain could be the new normal in order to reduce risk and dependencies."



Note: The world's five leading industrial nations account for approximately 60% of global production
Source: World Bank – Global Economic Monitor

Global impact on supply chains

"As a result of the global outbreak of COVID-19, supply chains and the global transport and logistics markets are currently seeing a substantial negative impact..."

DSV-Panalpina 2020 Q1 interim financial report

73%

of respondents think that their logistics and supply chain operations are being impacted by COVID-19

120 respondents worldwide; buyers and users of freight transportation and logistics services

Source: DSV-Panalpina 2020 Q1 interim financial report and Peerless Research Group 2020

02 Overview of sectors

Overview of sectors

Denmark has large transport and manufacturing sectors

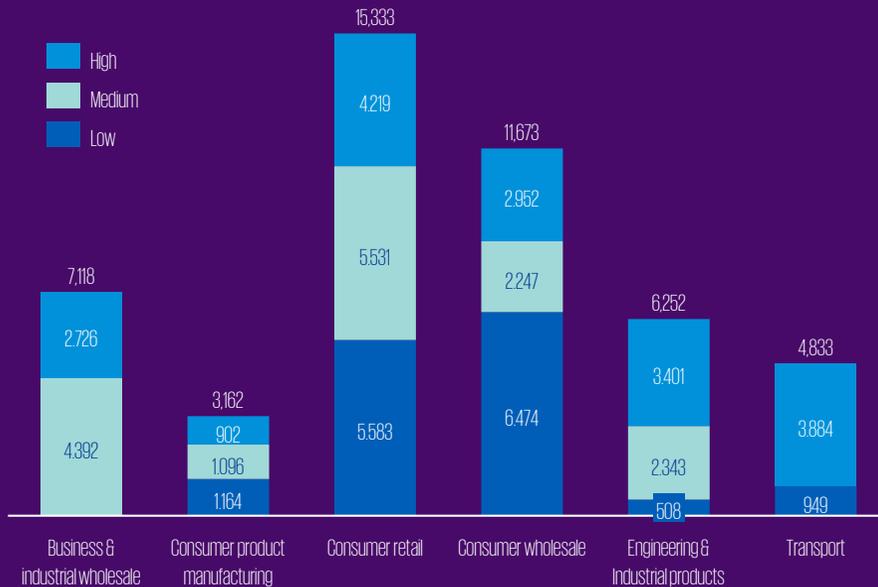
Our analysis suggests a shift towards localisation and regionalisation across demand and supply chains. This will have a high impact on the transportation sector and manufacturing business in Denmark.

Our view

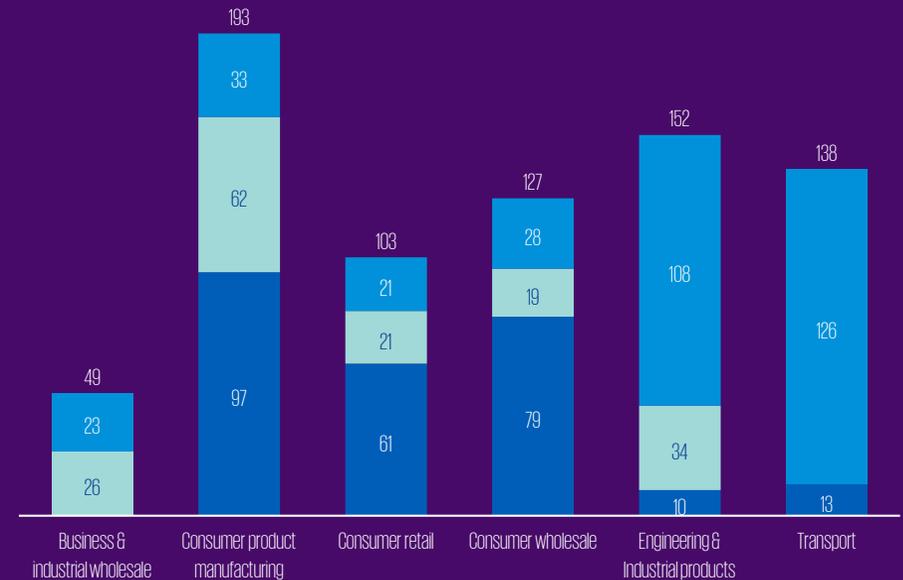
One outcome of the disrupted supply chains could be a shift in the demand from shipping towards land-based transportation such as trucks or railways. Denmark has a number of large businesses within this field and the trend can be seen as an opportunity – or a threat if businesses fail to react.

Denmark has large manufacturing companies that potentially could be impacted by this shift and which would need to adjust or test their supply chain to sustain through a possible second wave of Covid-19.

No of companies impacted by the disruption



Gross profit in DKKbn by sector impacted by the disruption



03 About us

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