



# The future of retail supply chains

May 2016

In association with





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# KPMG Foreword



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In today's world, customers are increasingly defining how companies structure their supply chains. They can now shop anytime and anywhere, are more ethically and environmentally aware, and expect a more fulfilling experience from retailers. However, many organisations are grappling with finding an innovative approach to sourcing, replenishment and distribution to address these changes. Retailers are starting to seriously consider how best to optimise their supply chains to meet fast-evolving consumer demand, while minimising costs and achieving profitable growth. In fact, recent KPMG studies show that a majority of senior executives in the retail and consumer sector expect growth opportunities to arise as a result of enhancing their supply chain performance.

This then raises the question of how retailers can best optimise their supply chains to differentiate themselves from their competitors and meet their financial goals. KPMG, together with HSBC, sought perspectives from a number of senior executives from leading multinational retail sourcing companies to discuss the supply chain of the future.

Our discussions also sought to conceptualise what the ideal supply chain of 2020 will look like, how the supply chain of the future will differ from the model of today, and how best to collaborate within the business as well as with suppliers to fulfil fast-evolving consumer demand.

In the final discussion, held in the KPMG Insights Centre – an interactive digital collaborative and interactive workspace for executives (see Pg.17 for further details) – the roundtable participants were unanimous in their acknowledgement that big data and technology will play a critical role in optimising their supply chains by 2020. The leading retailers will be able to effectively analyse and interpret big data to stand out from their peers by winning on 'customer experience' – being responsive to consumer demand, providing greater product availability in a more cost-effective manner, and offering the best service, pricing and overall experience.

To achieve this, the leading retailers will use data analytics tools and technologies to move away from traditional forecast-led supply chains to demand-driven supply chains, allowing them to be more predictive than reactive when meeting customer demand, and to respond swiftly to the rise in operational complexity and financial pressures.

The discussions raised five key points that will shape the supply chain of the future, which centred around creating a demand-driven supply chain, evaluating total cost sourcing, enhancing supply chain financing, adopting a 'greener' focus and developing a proactive tax strategy. The five points are examined in detail within this report.

Our sincere thanks to all who provided their insights.

# HSBC Foreword



## **Daniel Cooper**

Head of Working Capital Advisory,  
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The world is rapidly changing and the days of aggressive extension of payment terms are over. In fact, if anything, there are trends emerging of buyers reducing payment terms either to gain commercial discounts or improve supplier stability. The future winners of the battle to manage a large complex supply chain and its finance demands will be the ones who are leading with clear ethics and values.

Whilst the role of buyers and suppliers is evolving, so is the role of banks. The ever-increasing regulatory environment drives deeper investigation before banks can start new financial relationships. Buyers who have volatile supplier lists are not only going to find it more difficult to get affordable funds into the supply chain, but are going to see increased regulation themselves as the need to understand suppliers better continues to evolve.

Selecting the bank to assist with the financial needs within the supply chain is a critical factor in a retailer's success on the High Street. Companies can no longer wait two years to understand that they haven't achieved their working capital goals using certain financing tools. The banks need to understand the relationships between buyers and suppliers and provide bespoke financing in order to balance out the challenges around supplier stability versus unit cost price. Previously, the consideration of both the buyers' and the suppliers' needs have rarely been considered using supply chain finance programmes. At HSBC, we are working with our customers to make dysfunctional supply chain finance a thing of the past and ensure all dynamics of the relationships are captured in order to deliver maximum working capital benefits to all.



# Executive Summary

As competition intensifies and consumers become savvier, many businesses are struggling to balance efficient fulfilment in response to fast-evolving customer demands with generating profitable returns. Coupled with the proliferation of online ordering, a growing number of delivery channels and a fast-changing supplier base, the supply chain is becoming a more critical component of a business than ever. Indeed, in a recent KPMG study<sup>1</sup>, 63 percent of respondents from executives in the retail and consumer sector expect growth opportunities to arise as a result of enhancing their supply chain performance.

With consumers increasingly defining the supply chain delivery model, the next few years will be a test for retailers as they seek to differentiate themselves from the rest through their innovative approach to sourcing, replenishment and distribution. By 2020, leading retailers will have done this by winning on 'customer experience' – excelling at responding to consumers who are demanding more specialised products to fit their changing lifestyles, providing greater product availability in a more cost-effective manner, and offering the best service, pricing and overall experience.

To achieve this, the leading retailers will move away from traditional forecast-led supply chains to demand-driven supply chains (DDSCs). This will allow them to respond swiftly to the rise in operational complexity and financial pressures primarily arising from the pace of innovation leading to a continuous stream of new products entering the market. DDSCs will also allow

retailers to efficiently manage the proliferation of channels used during a single transaction, and ease the logistical burdens arising from consumers increasingly expecting free product returns and a convenient service.

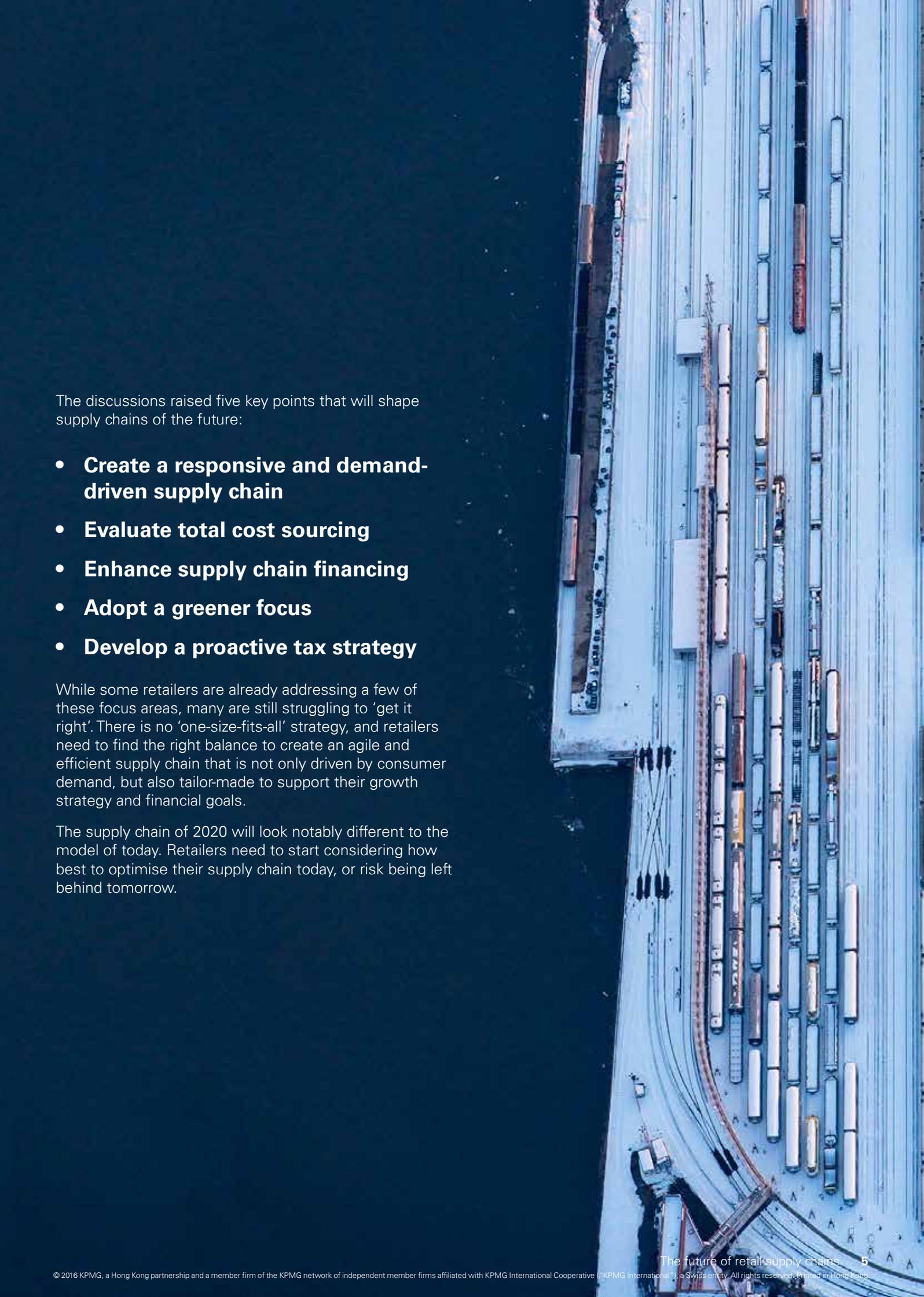
By 2020, the successful retailers will be able to effectively analyse big data, giving them insight into their customers' minds, and enabling them to become more predictive than reactive when fulfilling customer demand. Big data captured throughout the supply chain will be shared with their trading partners, facilitating a far more collaborative network that can source and supply the right products to customers at their chosen point of distribution.

Furthermore, the leading retailers will have shifted focus away from 'on-shelf availability' to 'on-demand availability', with the aim of providing 100 percent product availability to fulfil customer orders for delivery in various formats anytime and anywhere, using a low-cost approach for distribution.

During a series of collaborative roundtable sessions, senior executives from KPMG, HSBC and leading multinational retail sourcing companies discussed how the ideal supply chain would be structured in 2020, and examined the evolving trends, technologies, demographics and macroeconomic factors that will affect the three pillars of a supply chain: sourcing, replenishment and distribution.

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<sup>1</sup>2015 Global Consumer Executive Top of Mind Survey, KPMG International



The discussions raised five key points that will shape supply chains of the future:

- **Create a responsive and demand-driven supply chain**
- **Evaluate total cost sourcing**
- **Enhance supply chain financing**
- **Adopt a greener focus**
- **Develop a proactive tax strategy**

While some retailers are already addressing a few of these focus areas, many are still struggling to 'get it right'. There is no 'one-size-fits-all' strategy, and retailers need to find the right balance to create an agile and efficient supply chain that is not only driven by consumer demand, but also tailor-made to support their growth strategy and financial goals.

The supply chain of 2020 will look notably different to the model of today. Retailers need to start considering how best to optimise their supply chain today, or risk being left behind tomorrow.

# Create a responsive and demand-driven supply chain

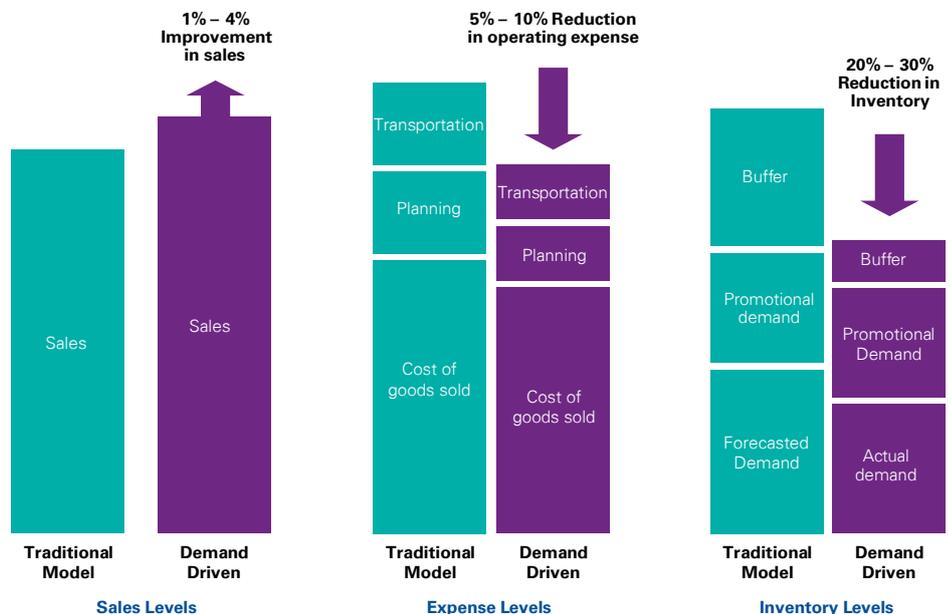
***“By 2020, the leading retailers will have shifted focus away from ‘on-shelf availability’ to ‘on-demand availability’, aiming to provide 100 percent product availability to fulfil customer orders for delivery in various formats anytime and anywhere, using a low-cost approach for distribution.”***

– Peter Liddell, Partner, Asia Pacific Head of Supply Chain, KPMG Australia



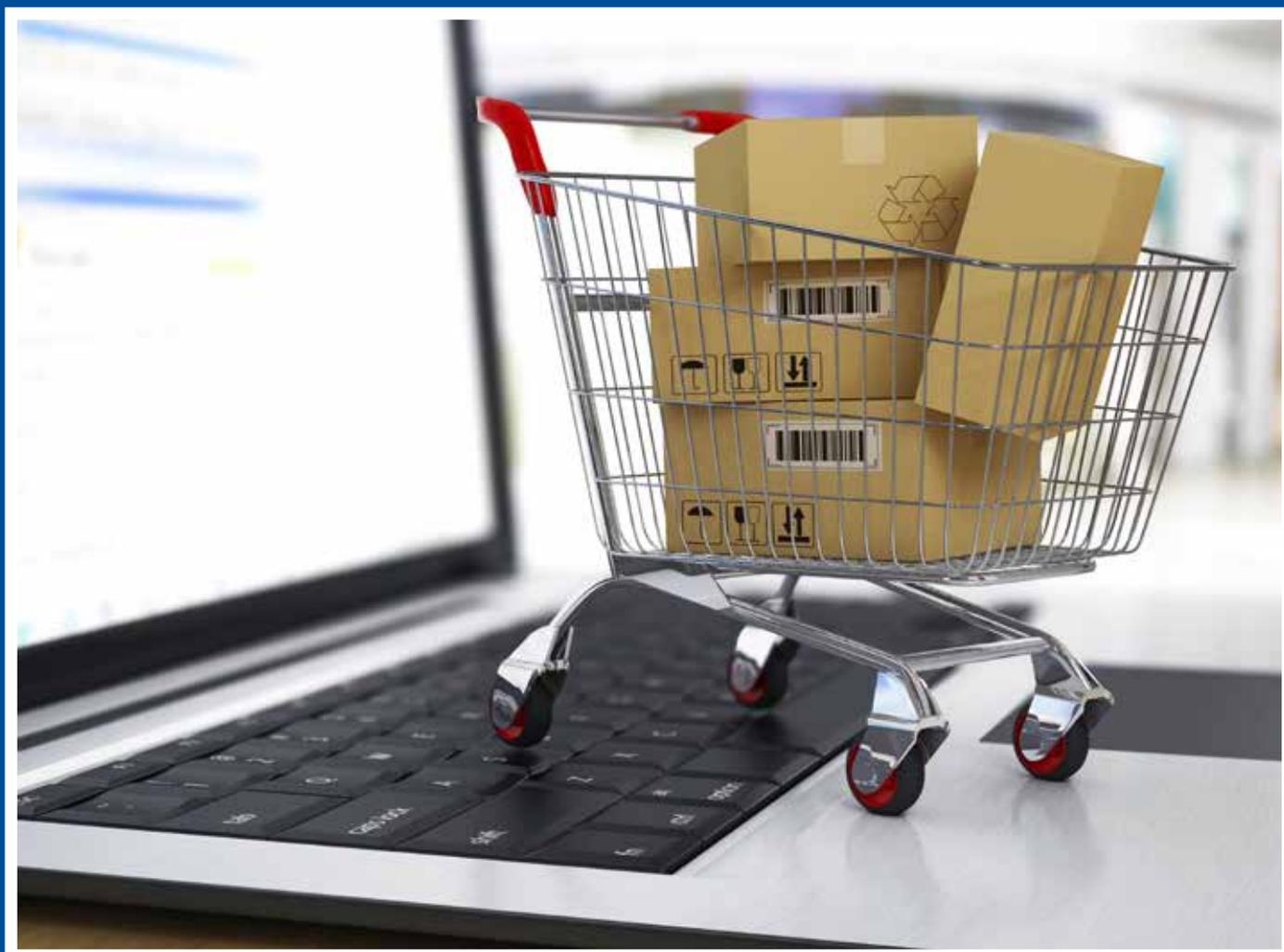
As the focus shifts away from ‘on-shelf availability’ to ‘on-demand availability’, retailers are under immense pressure to deliver products according to their customers’ choice of place and time. The move towards DDSCs will allow retailers to better predict the changing requirements of consumers, who by 2020, will not only expect access to quality products, but also an outstanding level of service provided at the lowest possible cost. Indeed, a recent KPMG report finds that companies with true DDSCs can grow sales by up to 4 percent, cut operating costs by up to 10 percent, and reduce inventory by up to 30 percent<sup>2</sup>.

## What difference could a demand-driven supply chain make to your business?



Source: KPMG research

<sup>2</sup> KPMG Demand-Driven Supply Chains Report



The key to creating a successful DDSC for retailers is to ensure sufficient supply chain visibility and execution. Recent KPMG global surveys found that aligning operations with real-time fluctuations in demand was the top supply chain challenge for companies. About half of the respondents stated that effective management of true (real-time) demand and supplier performance – in terms of risk, reliability and quality – were the most critical operational imperatives that they would face over the next decade. However, the research also found that only one in four companies have established true DDSCs, where sourcing and replenishment decisions are driven by actual demand and consumption of supply.

To gain real-time visibility of the supply chain, retailers require real-time interactive networks, demand-driven business processes and end-to-end supply chain planning capabilities, all of which must be underpinned by high quality data analytics and business intelligence capabilities. Harnessing these tools will help retailers succeed by giving them a better understanding of customer requirements, which will enhance planning

for their store operations and enable far better sourcing and replenishment activities. We observed that some retailers use advanced data analytics to combine thousands of internal and external demand signals, and assess the correlation between these signals and 'store signatures' and store cluster profiles to better predict customer buying behaviour. This ensured that physical inventory holdings were held to a minimum, yet sufficient to align with customer requirements.

In fact, KPMG research shows that leading retailers have used big data to increase forecasting accuracy for new stores by up to 93 percent – an almost impossible task only 12 months ago. These retailers have improved customer segmentation and store clustering by analysing big data and using advanced clustering techniques. This increase in forecast accuracy has supported other strategies, such as better optimisation of product mix, pricing, promotions, new product introduction, marketing spend and advertising planning, as well as the ability to efficiently manage inventory throughout the supply chain.

Furthermore, while retailers typically use data analytics to find out more about their customers, they can also benefit by extending the data mining and analysis into the supply chain to holistically optimise their supply chain network. In doing so, retailers can minimise the large logistical and inventory costs incurred through operating an inefficient distribution system.

It is our view that in 2020 the leading retail companies will have invested in acquiring and training Chief Data Officers and special data scientists to analyse and interpret big data, and help optimise business operations and the supply chain network.

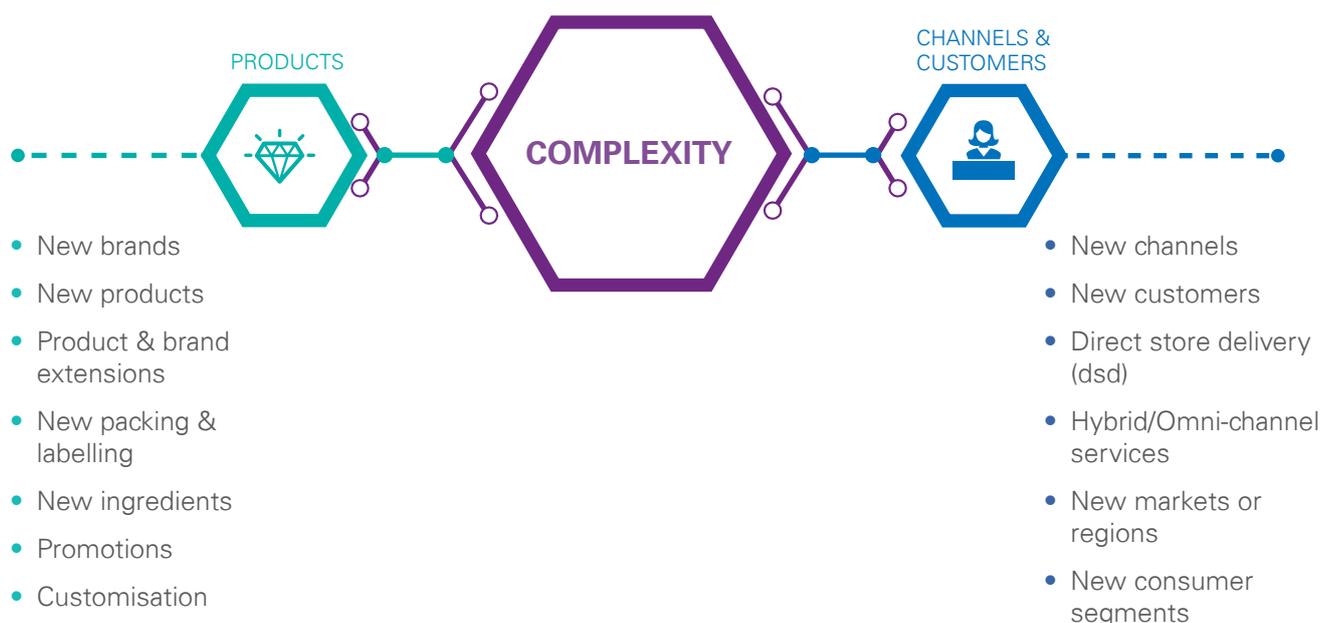
### DDSCs supporting omni-channel strategies

While the traditional linear brick-and-mortar supply chains are far from complex, newer retail supply chains are becoming increasingly intricate due to the proliferation of online ordering through diverse channels.

And with same day and next day deliveries becoming the standard in many markets, the biggest challenge now lies in the fulfilment of customer orders.

Although variety has its benefits, the proliferation of retailers' products and channels is increasing operational complexity. As retailers continue to refine their omni-channel strategies, not as a differentiator but as "a ticket to play"; the additional operational complexity will directly impact their operational costs, working capital and customer service performance. This is where retailers have struggled to 'get it right'. By 2020, the leading retailers will have shifted focus away from 'on-shelf availability' to 'on-demand availability', aiming to provide 100 percent product availability to fulfil customer orders for delivery in various formats – in store, home delivery and alternative site collections, for example – anytime and anywhere, using a low-cost approach for distribution.

### Savvier consumers, as well as the proliferation of products and distribution channels, are increasing operational complexity along the supply chain



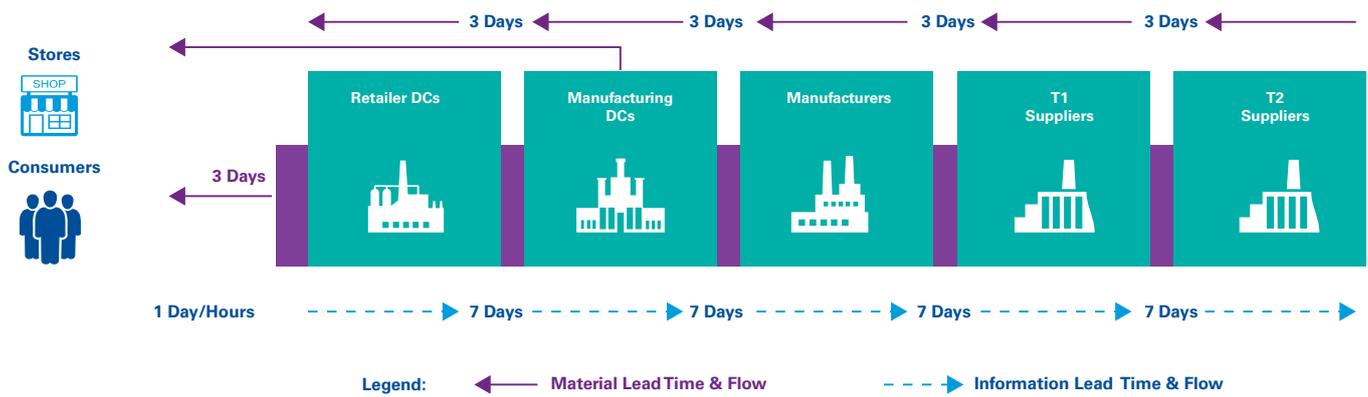
Leading retailers use technologies to advance the automation of their replenishment activities to ensure that exposure to stock-outs (lost sales) is minimised. The impact of losses arising from stock-outs can be significant; while the direct sale will never be recovered and a loss of potential customers affects future sales, the costs associated with accessing new customers (as replacements) is becoming a significant operational expense.

To mitigate stock-outs while limiting exposure to high inventory levels, leading retailers will secure their supply base and consistently source products to arrive into their supply chain just in time. Furthermore, retailers will use data sourced from within the extended value chain to analyse future events and scenarios to predict the likelihood of sourcing risks, and create alternative strategies to proactively mitigate supply disruption.

However, when most retailers take stock and properly analyse their supply chains, they find that almost all of their supply chain processes and policies are designed to compensate for information latency and demand uncertainty. Information latency and a lack of timely, accurate visibility to actual demand and available supply are cited as the top inhibitors in establishing a DDSC, and thus contribute to the greatest amount of redundant cost within the supply chain.

Supply chain collaboration and the use of a shared supply chain platform is a vehicle to enable an effective network model in a DDSC. However, today we predominately see retailers working within a more traditional supply chain model, which is reactive to demand changes and restricted by the linear planning and replenishment framework.

**Traditional retail supply chains are reactive to demand changes and restricted by the linear planning and replenishment framework**

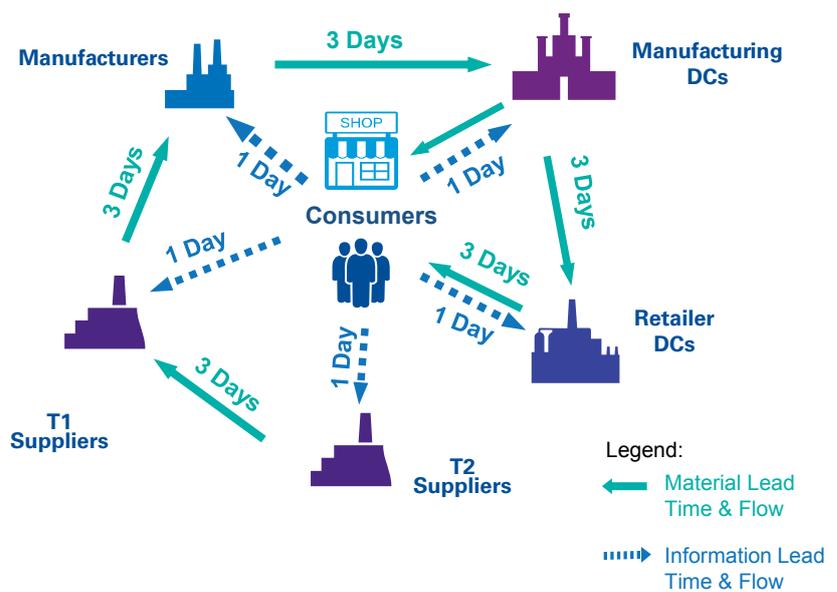


\*Lead time figures are purely for illustration

Effective DDSCs leverage network-based models that allow all participants to work as one virtual organisation. They are also effective collaborators as they share big data across the network and respond quickly to changing customer demand signals.

Companies have demonstrated higher sales, lower supply chain operating expenses and working capital improvements by adopting this approach.

**Effective DDSCs leverage network-based models that allow all participants to work as one virtual organisation**



\*Lead time figures are purely for illustration

# Evaluate total cost sourcing

***“The emergence of new sourcing destinations will require retailers to rethink their procurement organisation set-up. A more agile organisation is required to widen the coverage of countries for both sourcing and supplier evaluation activities in a cost-effective manner.”***

– Michael Seitz, Director, China Head of Procurement Advisory, KPMG China



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***“A flexible procurement organisation will proactively evaluate suppliers from existing and new sourcing destinations.”***

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China is starting to lose its dominance as the principal location for many multinational corporations (MNCs) to source a high volume of their product category range. Once renowned as the low-cost sourcing destination of the world, China faces major challenges as labour costs soar to record levels. Meanwhile, its neighbours – including Myanmar, Thailand, Indonesia, Vietnam and the Philippines – are starting to compete on quality, while maintaining control of their direct input costs.

However, for certain types of products, there are a number of advantages that will help China retain its competitive edge and continue to be a priority sourcing destination in the future. Firstly, Chinese companies are adapting by investing in new machines and technologies, broadening their knowledge of production techniques and up-skilling their staff to offset rising costs with increased productivity.

Secondly, the government is also working to protect certain areas of manufacturing within China, and recently announced that it would study an incremental extension of the retirement age to help solve the labour shortage and negate the current pressure on labour costs. The government also continues to support the previously formed “Go West” policy, which encourages manufacturers to relocate operations to the middle and western regions of China in order to access cheaper labour pools.

Lastly, most suppliers in China are embedded within a supply cluster. This ensures that there is a close network of companies upstream and downstream within the supply chain, which supports innovative sourcing strategies and drives cost efficiencies. In contrast, sourcing from suppliers outside China – where the supply chain and supporting infrastructure is less mature – creates a more complex and expensive supply chain that increases costs, exposes MNCs to unnecessary sourcing risk and makes the supply chain more susceptible to supply disruption.

Therefore, the total cost of sourcing is a critical factor to consider when assessing alternative supplier destinations, especially within Asia. Retailers should also evaluate non-product related considerations – such as taxes, duties, logistics costs, customs fees and the speed of moving products across borders – and assess these issues by category and product cluster. The ability to evaluate suppliers and run sourcing tenders in countries like Vietnam, Myanmar or Bangladesh, will require retailer sourcing colleagues to be based on the ground. By 2020, the leading retailers will have established centralised procurement organisations that can operate with sufficient flexibility across the region, and will consider alternative regions like Eastern Europe, the US, South America and Africa, during their assessment.

In the past, centralised procurement organisations were mainly located in Hong Kong or Singapore, and capable of covering most sourcing activities. The emergence of new sourcing destinations will require retailers to rethink their procurement organisation set-up. A more agile organisation is required to widen the coverage of countries for both sourcing and supplier evaluation activities in a cost-effective manner.

Having small sourcing teams based in these countries will also help retailers determine if suppliers are fulfilling their environmental and corporate social responsibility (CSR) requirements. Retailers need to proactively build their teams in these alternative locations, or redefine strategies with their main Chinese suppliers, and move toward lower cost sourcing destinations.



# Enhance supply chain financing

***“Looking ahead, supply chain finance products will be seen as infrastructural in nature, enhancing operational efficiency, adding value to the buyer-supplier relationship and helping to build stronger partnerships within the supply chain.”***

– Daniel Cooper, Head of Working Capital Advisory, Asia Pacific, HSBC



As the underlying needs of the supply chain have changed, the motivation for implementing supply chain financing has changed with it. Supply chain financing was originally seen as a product that enabled large dominant buyers to push out their payment terms with an objective to unlock significant working capital from the business. However, the relationship and impact on the trading partners were not always considered, which added pressure on margins and stability, especially for smaller businesses.

As the market changed and liquidity became more expensive and harder to secure during the late 2000s, large buyers became concerned over potential business disruptions if suppliers were unable to supply products and services. For example, over the past two decades the automotive sector has witnessed several instances where a single small supplier has hindered the entire manufacturing process. In these cases, suppliers that did not have financial security suffered heavy losses, and in some cases, went bankrupt. As a result, the motivation for implementation changed to one that ensured the suppliers had enough access to affordable working capital and remained stable.

In recent years, the motivation for supply chain financing has changed again. This time, the drive is towards transparency and effective CSR.

Looking ahead, supply chain finance products will be seen as infrastructural in nature, enhancing operational efficiency, adding value to the buyer-supplier relationship and helping to build stronger partnerships within the supply chain. Commercial discussions that provide transparency and fairness to all parties can yield huge benefits. For the supplier, it provides clarity on the approval of the outstanding invoice and the amount due. For small businesses, this certainty can provide great value to their cash forecasting processes. The benefits of cheaper funding, if taken, will directly benefit the company's net profit. As the cost of finance continues to widen between strong and weak credit, this access to cheaper funding will provide a huge advantage to small and medium-sized suppliers.

For the buyer, instead of focusing on pushing payment terms out, the optimisation and rationalisation of their existing terms can simplify and reduce the cost of running the accounts payables teams. Improved cash flow forecasting, simplified payment terms and more rugged reconciliation processes will provide huge benefits to the back office. Being able to provide suppliers with stable liquidity could also open up other previously unavailable commercial advantages.

***“Improved cash flow forecasting, simplified payment terms and more rugged reconciliation processes will provide huge benefits to the back office. Being able to provide suppliers with stable liquidity could also open up other previously unavailable commercial advantages.”***

– Fergal Power, Partner, Advisory, KPMG China



# Adopt a greener focus

With climate change and other environmental concerns mounting worldwide, consumers are becoming more aware of the ecological consequences of the products they buy. In the UK for example, the concept of 'food miles', which refers to the distance food is transported from the time of production until it reaches the consumer, is gaining traction. With the globalisation of trade, food is travelling further, and therefore consuming more fuel and worsening a company's carbon footprint. In addition, given the growing scarcity of certain resources and raw materials, retailers are acknowledging the importance of creating and operating a 'green supply chain'. Despite the increasing public focus, the creation of a green supply chain is yet to become a key priority for some companies.

However, there are links between improved environmental performance and financial gains. For example, by deploying the correct technologies to better predict customer demand, retailers can help to decrease the number of product returns from consumers, and consequently reduce their carbon footprint. By 2020, there will be a greater emphasis on retailers to not only manage environmental factors like their carbon footprint, energy consumption and recyclability of their products, but to also review the ethical aspects of their supply chain, including worker safety and labour rights.

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***“End consumers are increasingly able to get supply chain-related information about products.”***

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Moreover, recent regulatory developments aimed at tackling child, forced and bonded labour, as well as low pay and squalid living conditions, indicate a greater public and governmental focus on social and ethical concerns around supply chain management. The values and ethics of an organisation will set the tone for buyer-supplier relationships going forward, and companies that pay close attention to nurturing this relationship while maintaining high ethical standards will certainly benefit.

Furthermore, the need to remain competitive – together with the increased globalisation of supply chains – has led to an increase in cross-border sourcing of products and services. This increases environmental, social and governance (ESG) risk along the supply chain, and can cause significant financial and reputational damage if retailers do not effectively manage these operational issues.



# Develop a proactive tax strategy

***“An integrated approach – encompassing sourcing, supply chain, sales tax and duty specialists – is key as tax planning in relation to the supply chain moves towards closer alignment with the value drivers of the business.”***

– Christopher Abbiss, Partner, Tax, KPMG China



Multinational retailers will face profound changes to their supply chain models in the next few years as a result of the fast-evolving tax landscape.

The latest tax challenges faced by MNCS are twofold:

- Responding to the Organisation for Economic Co-operation and Development’s (OECD) Base Erosion and Profit Shifting (BEPS) initiatives, which has affected commissionaire and limited risk distribution structures, ownership of intangibles and trading entrepreneurial entities.
- Navigating the tax and duty challenges resulting from the increased mix of channels for customers – and the use of technology in expanding these channels – as well as the expansion of sourcing locations.

## BEPS

The introduction of the BEPS reforms in 2015 indicates a desire to tackle perceived tax avoidance among MNCs and the political overtures for large corporates to pay “their fair share of taxes”. This is presenting challenges to MNCs over how to manage their tax risk and structure their supply chain tax models.

Firstly, under the BEPS proposals – notably around artificial Permanent Establishments (PEs) – commissionaire arrangements, a common structure

used by MNCs for customer distribution, are specifically targeted. If an intermediary’s activities are intended to play a substantial role in negotiation and result in the regular conclusion of contracts by the principal without change, this creates a taxable PE of the principal in the commissionaire countries. As a result, when acting as principal, a number of MNCs will need to reorganise their commissionaire structures to either pay more tax locally or deem a new taxable presence PE, with the associated additional compliance and tax risk management obligations.

Secondly, transfer pricing (TP) and the management of risk and capital – including intangibles – under BEPS will affect supply chains. This will result in significant reallocations of revenue - and ultimately profit – unless the substance of a supply chain undergoes significant changes.

The BEPS recommendations require the development of TP rules which create transfer pricing outcomes in line with value creation. More emphasis is placed on the allocation of returns derived from the assumption of risks by those parties that control and have the financial capacity to assume those risks.

Intangibles are also addressed. The recommended changes recognise that legal ownership of intangibles does not in itself provide a right to the returns derived from the exploitation of that asset. Those returns accrue

to parties which carry out the important functions relating to the development enhancement, management protection and exploitation of the assets.

The recommendations cement the importance of rewarding underlying substance and value creation over legal ownership and funding. MNCs will need to consider performing a detailed functional analysis on their entire supply chain and implementing new TP arrangements and tax modelling.

### Technology and sourcing

The growing number of distribution channels to customers, as well as the use of technology, are creating an urgent need to understand the tax implications of selling through these channels in existing and new markets. For example, the widening impact of indirect taxes such as VAT, customs duties and revenue recognition in countries requires consideration.

Furthermore, sourcing from a wider range of countries and switching suppliers from one country to another requires a more flexible sourcing team, and is resulting in more tax and customs considerations to be evaluated. MNCs should factor all of these associated costs into

their tax models for the supply chain.

To cope with these challenges, leading MNCs will evaluate the total cost of sourcing, including taxes resulting from the changing tax landscape, and make modifications as necessary. An integrated approach – encompassing sourcing, supply chain, sales tax and duty specialists – is key as tax planning in relation to the supply chain moves towards closer alignment with the value drivers of the business.

Furthermore, the recent establishment of the ASEAN Economic Community, as well as the ongoing changes to China's Free Trade Zones in Shanghai, Guangdong, Fujian and Tianjin, will help to spur the free movement of goods, services and labour within certain regions. In addition to potential tax savings, MNCs might consider setting up operations or having more products pass through these regions to capitalise on the commercial opportunities on offer. As a result, leading MNCs will be able to reduce customs lead times significantly, which will lower port costs and free up more working capital, and ultimately create a more efficient and cost-effective supply chain.



# Planning for the future

A practical approach to creating the supply chain of the future begins with conducting an End-to-End assessment of the supply chain to determine how it aligns with the company's corporate and regional strategies. Retailers could also perform a gap analysis and prioritise the key next steps – for example, balancing quick wins against the company's long-term strategic vision. Many of the themes highlighted in this report are likely to be identified as critical gaps.

Furthermore, senior executives from the retail and consumer industry unanimously acknowledged that big data will play a critical role in the structure of their supply chains by 2020. However, some short-term business concerns still need to be addressed. These issues include how best to interpret and manage big data, how to efficiently connect a retailer's readily available internal data with external – and often less transparent – data, and how to effectively evaluate and select suppliers and sourcing locations.

The ability to harness this data – which can be enhanced through the acquisition and training of data specialists – will help retailers tackle these

challenges. This will enable retailers to move toward 'on-demand availability' and broaden and optimise customer experience through greater collaboration between the front, middle and back ends of the business, as well as by effectively addressing the five focal points discussed in the report.

By 2020, we expect that leading retailers will have shifted their focus from a traditional reactive supply chain system to a more predictive, demand-driven model. In addition, leading retailers will have enhanced their supply chain financing structures to create operational efficiency and build stronger partnerships within the supply chain. With customers increasingly determining the supply chain of the future, the successful retailers will be the ones that embrace big data and technology to better predict consumer demand and optimise their supply chains to achieve profitable growth.

Creating a fully functional and seamless supply chain is no easy task. Successful retailers will understand that in order to have an optimal supply chain in place by 2020, they should begin strategising and refining their supply chains today.



# About KPMG China

KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. We operate in 155 countries and have 174,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

In 1992, KPMG became the first international accounting network to be granted a joint venture licence in mainland China. KPMG China was also the first among the Big Four in mainland China to convert from a joint venture to a special general partnership, as of 1 August 2012. Additionally, the Hong Kong office can trace its origins to 1945. This early commitment to the China market, together with an unwavering focus on quality, has been the foundation for accumulated industry experience, and is reflected in the Chinese member firm’s appointment by some of China’s most prestigious companies.

Today, KPMG China has around 10,000 professionals working in 17 offices: Beijing, Beijing Zhongguancun, Chengdu, Chongqing, Foshan, Fuzhou, Guangzhou, Hangzhou, Nanjing, Qingdao, Shanghai, Shenyang, Shenzhen, Tianjin, Xiamen, Hong Kong SAR and Macau SAR. With a single management structure across all these offices, KPMG China can deploy experienced professionals efficiently, wherever our client is located.

# About the KPMG Insights Centre

It is critical that organisations start analysing data and transform their interaction with their customers. With that in mind, KPMG has created the Insights Centre – a next-generation digital collaborative and interactive workspace for executives. The Insights Centre enables clients of any size to drill deeper into their data, identify problems and formulate business strategies quickly using new data and analytics technologies.



## The Insights Centre delivers:

- Collaboration – With interactive touchscreen video walls, breakout screens and tablets, the Insights Centre is designed for KPMG and our clients to work together on innovative ideas to address business issues.
- Acceleration – The Insights Centre sessions serve as a change tool that aligns key stakeholders quickly, accelerates the generation of ideas, and turns them into concrete actions.
- Demonstration – Fully integrated into the KPMG Insights Labs that host a suite of the latest D&A technologies, the Insights Centre serves as a window to KPMG's portfolio of solutions that covers growth, risk and cost agendas.
- Execution – Designed around interactivity, the Insights Centre enhances our Audit, Tax and Advisory services by easing the way requirements are captured, deliverables are showcased, and results are communicated to management.

# About KPMG's Supply Chain Analytics Tools

In order to respond to fast-evolving customer demand, retailers should focus on moving away from traditional forecast-led supply chains and toward demand-driven supply chains. In this regard, big data is playing a critical role in improving supply chain management. Successful retailers are able to effectively analyse big data on a real-time basis, giving them insight into their customers' minds, and enabling them to become more predictive than reactive when fulfilling customer demand.

In line with this trend, KPMG has developed a suite of analytical tools to assist companies with their supply chain optimisation strategies. These tools enable companies to enhance supply chain transparency and efficiency, effectively manage supply chain threats and risks through real-time monitoring and alerts, and examine supply chain financial sustainability through predictive financial analytics.

Companies are increasingly required to enhance transparency across their supply chains. This often requires manual reporting that takes up valuable time. In addition, many companies are not fully exploiting or improving the quality of their existing data. To help businesses tackle these issues, **KREO**, an interactive supply chain management tool designed by KPMG, is used to improve internal supply chain transparency across all business units, processes, product groups and suppliers. It achieves this through intelligent analysis, easy-to-use dashboards and integrated workflows.

Furthermore, KPMG's supply chain tools allow companies to assess the financial sustainability of supply chains through predictive financial analytics. With this in mind, KPMG has developed **Financial Microscope** to give businesses a better understanding of risk, earlier identification of opportunities and threats, and improved confidence in decision-making.

Meanwhile, monitoring third-party risk is becoming increasingly complex and challenging. KPMG has also developed tools to help companies anticipate, prevent and remediate third party threats. One such tool, **Third Party Intelligence**, acquires financial data from more than 10,000 third parties in 90 countries, and analyses millions of feeds from 48 countries to continually generate relevant geo-political risk data. Using the supply chain analytics tool, companies can efficiently collect and monitor data, effectively address acute supplier issues, and adopt a better overall supply risk strategy. Enhanced and reliable data gives companies valuable insight, enabling them to confidently address threats and execute on strategy efficiently.

In addition, KPMG's **Astrus**, a web-based integrity due diligence solution, provides organisations with timely and targeted corporate intelligence and background information. Astrus offers companies a strategic, cost-effective and time-efficient approach to gathering information and assessing risk associated with customers, suppliers, agents and other counterparties.

# About HSBC



HSBC is one of the world's largest banking and financial services organisations. With around 6,000 offices in both established and emerging markets, we aim to be where the growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and, ultimately, helping people to fulfil their hopes and realise their ambitions.

We serve more than 47 million customers through our four Global Businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. Our network covers 71 countries and territories in Europe, Asia, the Middle East and Africa, North America and Latin America.

Listed on the London, Hong Kong, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by about 213,000 shareholders in 132 countries and territories.

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