



PROFITABLE SUPPLY CHAIN RESILIENCE

Strengthening supply chains with strategic and sustainable solutions

 **EFESO**
MANAGEMENT CONSULTANTS

SUPPLY CHAIN MANAGEMENT
INSIGHT

Supply chain resilience – needed and affordable? Improving profitability and supply chain resilience at the same time

Poor visibility increases exposure to crisis opportunities

Despite the trend of sourcing to local suppliers that are within proximity of demand locations, companies are still conducting business in a **globalized world** with **highly interconnected functioning supply chains** that can be disrupted by a **variety of risks**. These risks are acknowledged in board room agendas: cyber attacks, supply chain act violations, or geo-political crisis situations. Dedicated **task forces** work diligently to collect information and prepare reports that shed light into the uncertainty of these potential threats. However, end-to-end supply chain **transparency** and **understanding** of the impacts from disruptions are rare and may seem impossible to achieve.

We see many **companies starting initiatives to improve supply chain resilience**. Risk mitigation measures such as dual sourcing, safety stock, and local sourcing are common best practices. However, the **evaluation of cost and CO₂ measurables** can be a **challenge** for implementing robust solutions.

In this **food-for-thought**, we spotlight a **successful use case focused on increasing supply chain resilience** while maintaining **profitability**, with clear short-term and long-term levers.

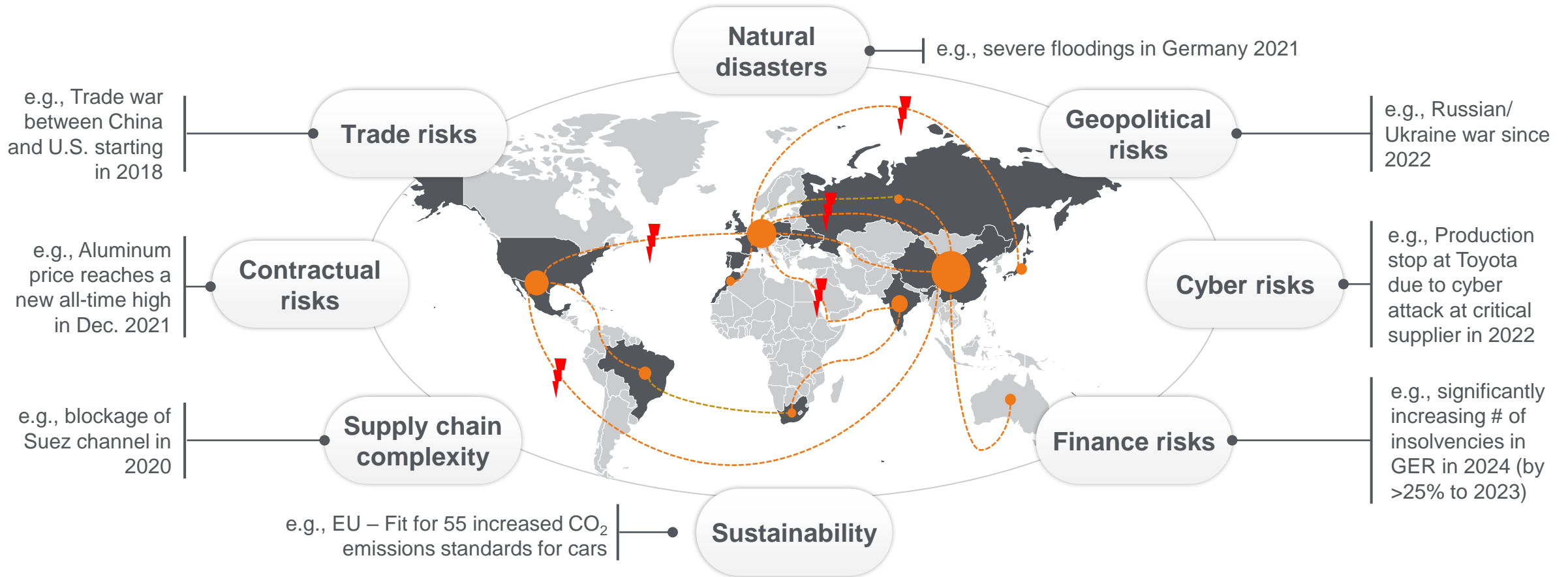
We help you to achieve awareness, transparency, and results

Comprehensive 360° transparency overview within the end-to-end supply chain from customers to direct suppliers. Screening for potential threats and identifying mitigation measures will set the foundation for improving processes.

Based on transparency, **information and data is analyzed and measured** allowing for fact-based decision making. Finally, the key elements from the **supply chain resilience strategy** are **integrated into all applicable processes**.

Companies operate in a globalized world with interconnected supply chains that are vulnerable to disruption from a variety of external risks

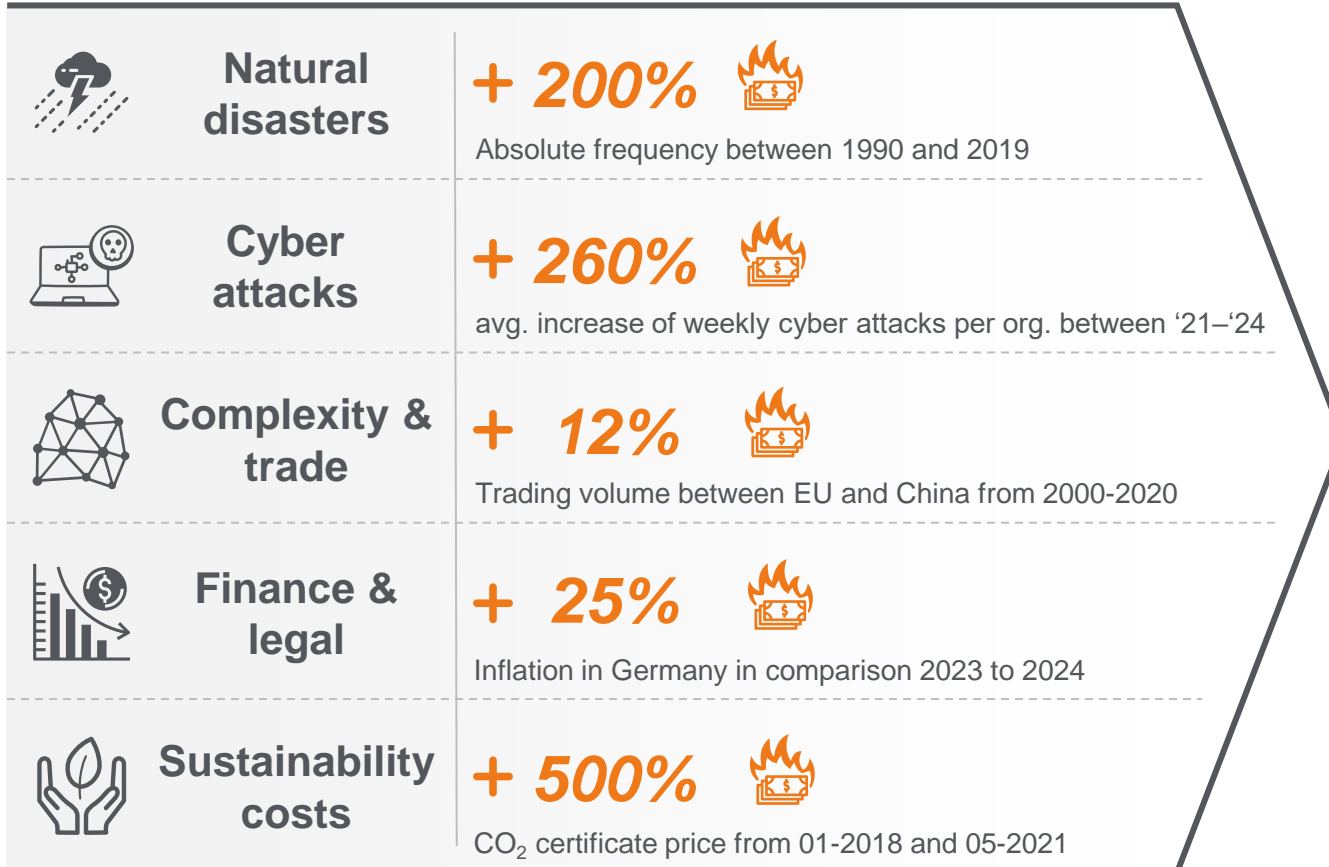
Overview of external risks impacting global supply chains



Current trend of increasing frequency and severeness in all risk areas threatens today's and future supply chains.

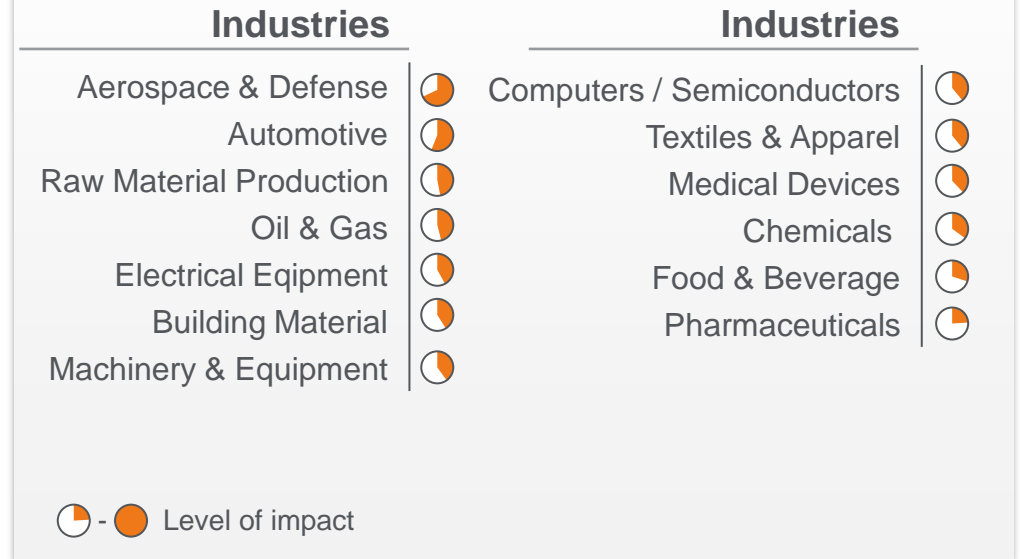
The increasing frequency and severity of risks across all areas undermine competitiveness and heighten customer demands

Risk development



Potential financial impact

 **Fortune 500 / Global 2,000 companies reported up to 4 trillion US\$ (6-20%) of turnover losses through supply chain disruptions¹**

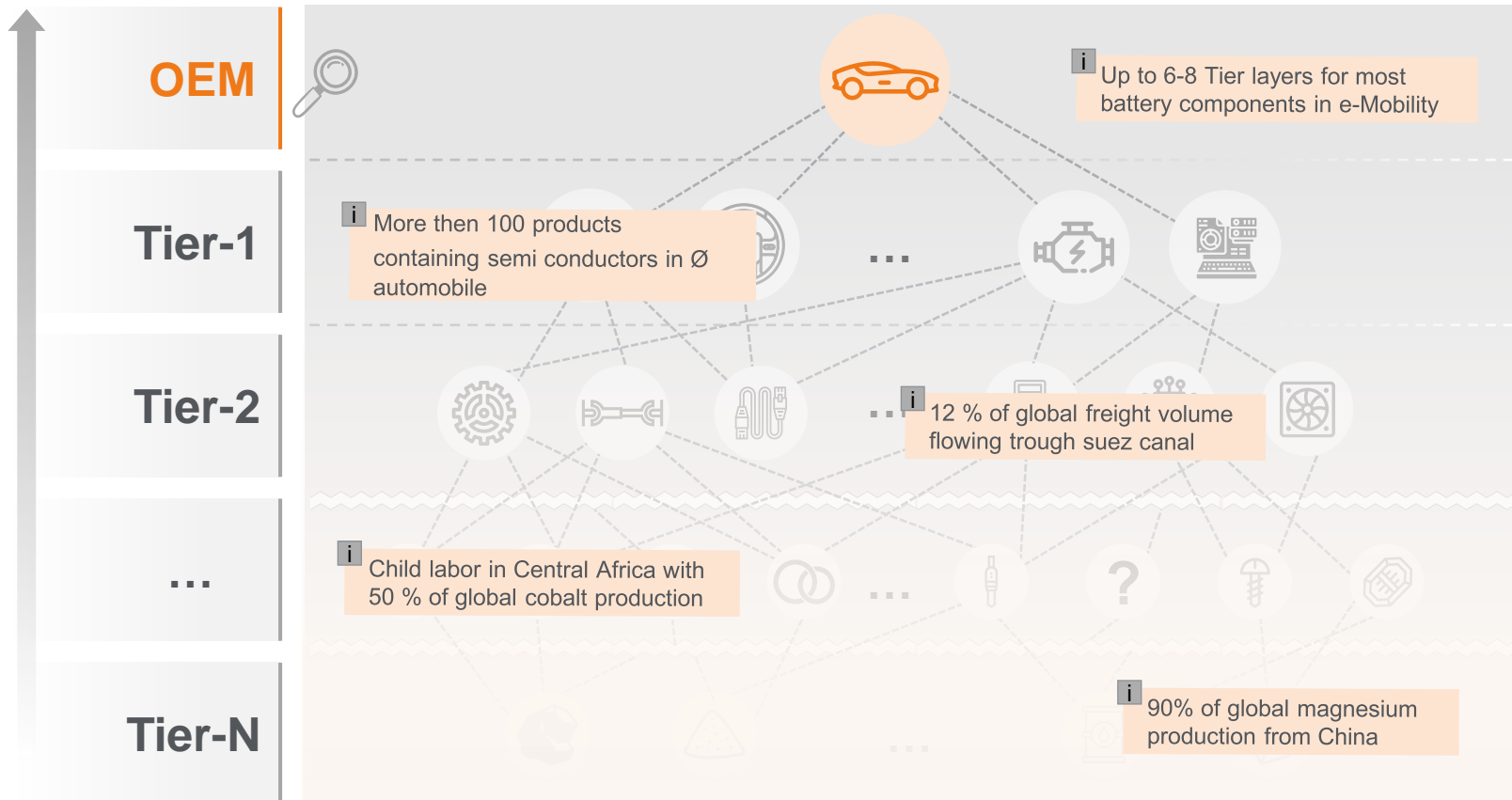


Current development and potential impact require immediate actions to strengthen the resilience of supply chains.

Immediate actions are needed, but EFESO's insights reveal that unknown aspects of complex supply chains hinder companies in mitigating and avoiding risks



Supply chain complexity: Example automotive



EFESO Insight

- Multitiered and interconnected supply chains lead to **insufficient transparency**
- **Underestimated system relevance** of certain components regarding affected revenue / business
- **Origin** of sub-components **not traceable**, resulting in **unknown risks**
- Underestimated risk for **infringements** of the **duty** to take care (e.g., human rights)
- **Unknown dependency** on certain raw materials



Systematic approach & improvements needed to handle insufficient transparency and to achieve profitable supply chain resilience.

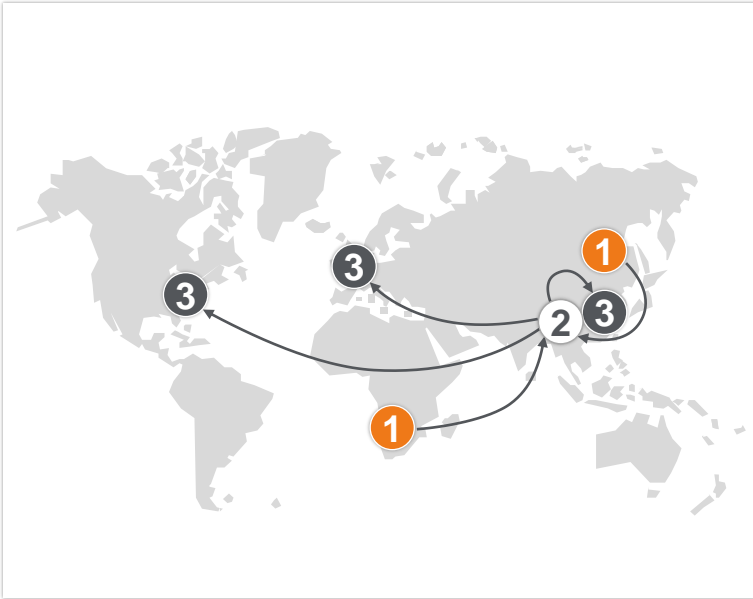


Companies face challenges in identifying the most suitable supply chain model to enhance their resilience from an economic perspective

Example: Company that traditionally manufactures in Asia and sells globally

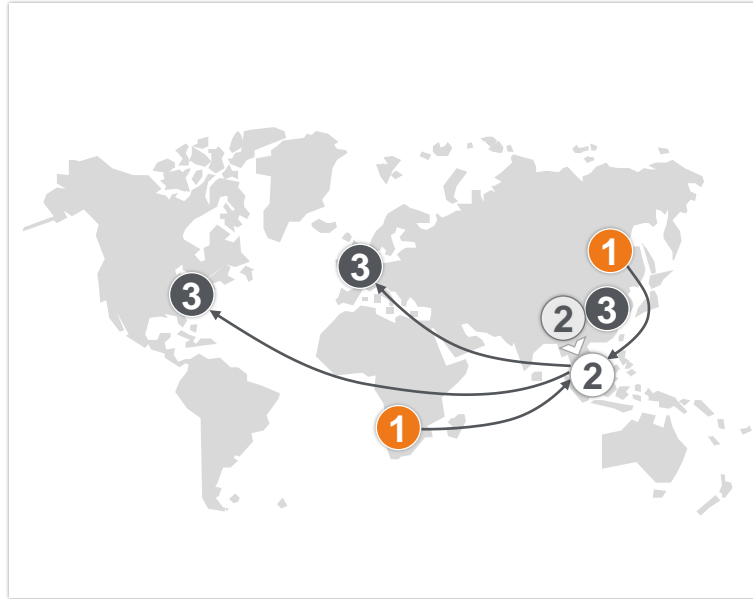
Adjustments

Limited changes such as re-sourcing or transparency improvements are made to manufacturing footprint owing to cost and access constraints



Relocation

Manufacturing shifts to new locations in order to reduce exposure to geopolitical risk



Regionalization

Regional complexities foster localization due to different regularities



Degree of changes



Source: EFESO

① Sourcing ② Manufacturing ③ Distribution

Four fundamental core issues are to be addressed – coherent and fact-based



How exactly does the supply chain network look like?

Supply chain mapping



WHAT are the relevant supply chain elements? (suppliers, customers)

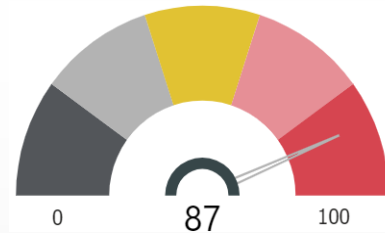
WHERE are the identified supply chain elements? (production locations, warehouses, ...)

HOW are the elements connected with each other?



What is the existing risk exposure?

Supply chain risk exposure



WHAT are the relevant risks regarding the business? (natural, geopolitical, cyber,...)

WHERE are the relevant risks within the supply chains? (e.g., regions, suppliers, commodities)

HOW can the risks be evaluated and how severe are the risks?



What are appropriate measures to avoid/mitigate risks?

Localization of casting parts from China to US



WHAT are appropriate mitigation measures regarding the existing risks? (localization, re-source, ...)

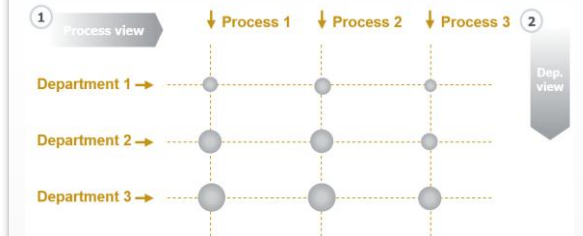
WHERE are short-term and long-term mitigation measures required?

HOW can the measures be evaluated and implemented?



How should strategic SC resilience be setup in the organization?

Integration of key elements into processes



WHAT structural changes are necessary for sustainable resilience management?

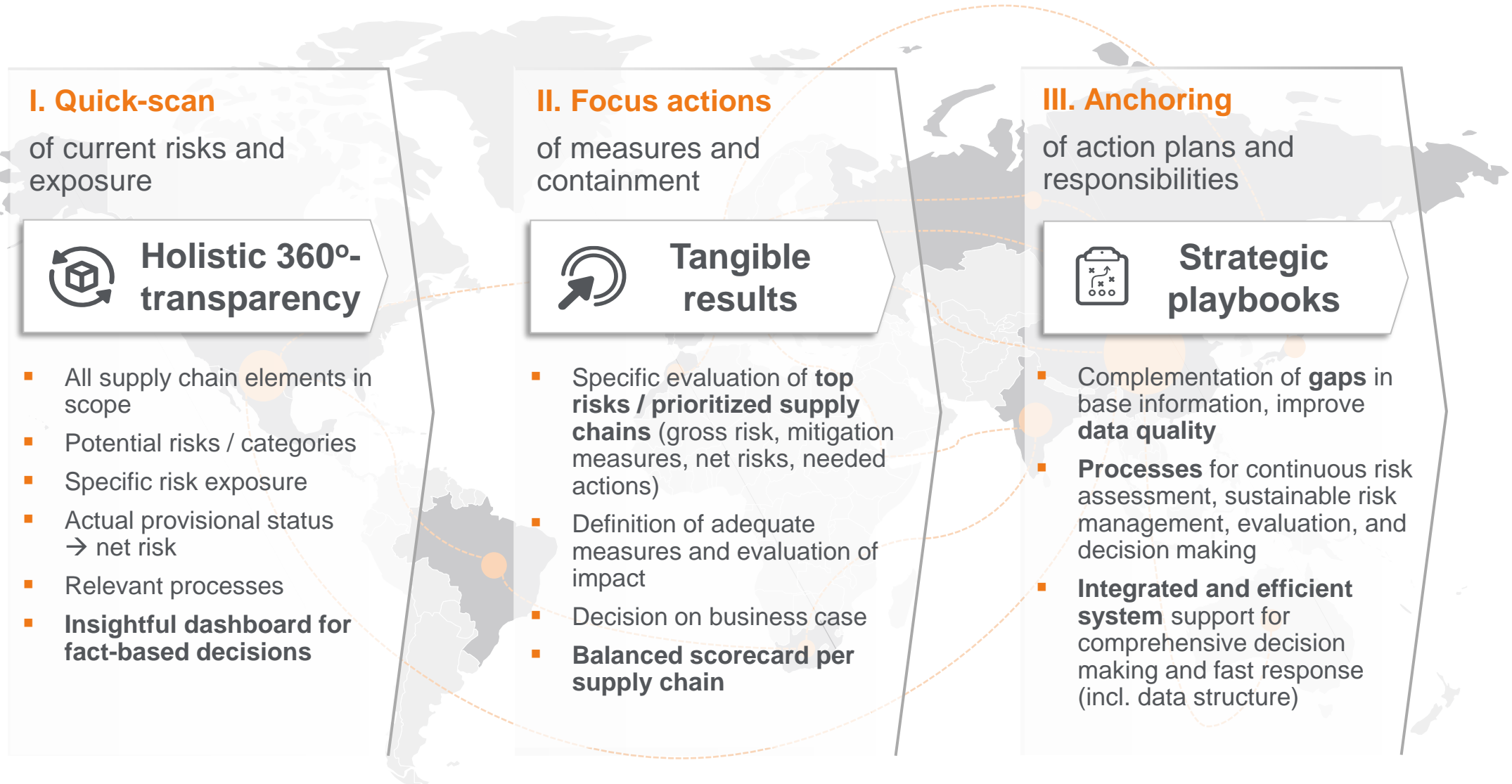
WHICH processes and tools are needed to actively manage supply chain resilience?

WHO is responsible for defined supply chain resilience activities?

Addressing the fundamental core issues guarantees solid supply chain resilience.



Our three-step approach identifies and address the highest priorities and ensures profitable and sustainable application



Combining our key competencies result in sustainable, resilient supply chains



Analytics & quick wins

- Upstream (Tier-N) analysis to create supply chain **transparency**
- **360° risk overview** in a pre-defined / customizable dashboard ready to be filled with client information
- Analysis and **decision support** at a fingertip, fact based for prioritization
- Inclusion of **expert knowledge** by staggered approach
- Best-practice **measure implementation**



Processes & strategy

- **Integration** of supply chain resilience elements into relevant **processes**
- Identification and definition of necessary **adjustments** in existing **tool landscape**
- **Comprehensive involvement** and buy-in of all **relevant functions** (Materials mgmt., Logistics, R&D, Quality, Finance, Controlling)
- **Standardization** of materials
- Capability for **flexible adaption** on **changing requirements**

Client Examples – success stories from our projects

Actual cost

- 50%



Insurance Cost

Installation of flood protection




Less cargo flights after localization & multiple sourcing

- 34%

Airfreight cost

- 8%



Total Cost of Ownership (TCO)

Localization from CN to US with less customs and freight


Future risk

25%



Critical supplier

Identification of critical supply chain nodes




Reduced number of base material grades

- 80%

Material variance

100%



Visibility

Complete supply chain transparency up to raw materials



