



Zero-based Supply Chain

Accelerating COVID-19 Recovery



July 2020

OUTMANEUVER UNCERTAINTY

NOW  **NEXT**

OUTMANEUVER UNCERTAINTY

As the health and humanitarian impacts of the COVID-19 pandemic evolve, so do the business and economic challenges. Organizations looking to balance their immediate needs with longer-term opportunities will see the trade-offs play out across three waves of impact: **the Now, the Next and the Never Normal.**

The Now includes an emphasis on supporting people, customers and suppliers. The Next will feature refocusing the business to withstand new threats and seize new opportunities. And the Never Normal will require navigating rapid shifts in cultural norms, values and behaviors.

This is the moment to reinvent business models and reintegrate the value organizations provide into a new societal landscape. The time to shape a mindset of bold business transformation powered by new approaches to technology and responsible leadership is underway.



COVID-19 HAS DISRUPTED SUPPLY CHAINS EVERYWHERE

No industry, geography, or channel has been spared from supply chain disruption as the COVID-19 pandemic has spread.

The range of supply chain impacts is long and varied:



Demand drop-off
(food service, fashion apparel)



Lower operational productivity
(health & hygiene requirements, government-mandated shutdowns)



Demand spike
(health/hygiene/personal care goods)



Stranded inventory, drastic over/under stocks



New/shifted demand across channels (on-premise vs. grocery retail)



Raw material/input stoppages or shortages

>75%

Reported supply chain disruptions due to COVID-19 transportation restrictions¹

>60%

Experienced delays with orders coming from China

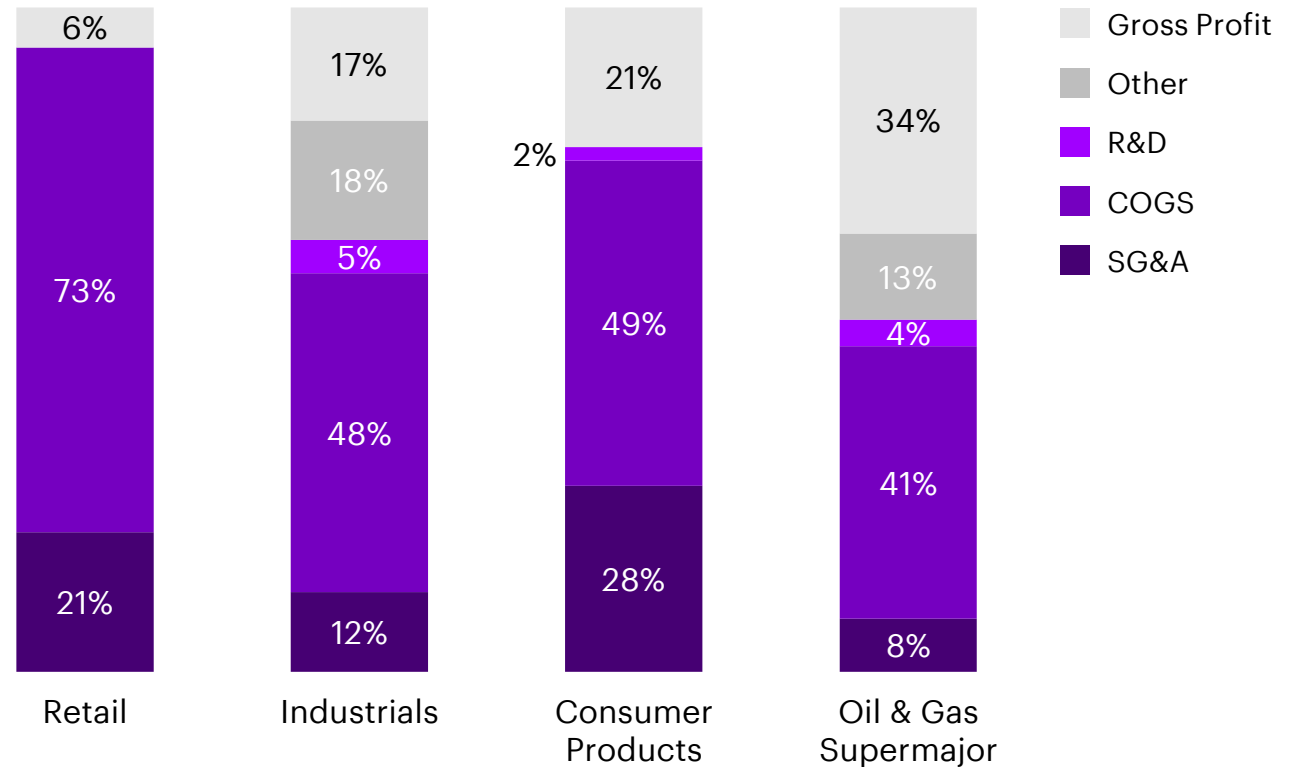
>40%

Did not have contingency plans for supply disruption

PRESSURE WILL INCREASE TO MANAGE SUPPLY CHAIN COSTS

- COGS contributes to **40 to 70 percent** of a business' cost base
- COVID-19 has **disrupted end-to-end value chain**, with challenges every step of the way: Sourcing raw material production and logistics; manufacturing during plant shutdowns and social distancing; and delivering amid reduced warehouse operations, and transportation restrictions
- Businesses must not only **act now but also plan for future disruptions** to protect COGS and margins in the Never Normal world

Cost profile by industry



WHAT TO EXPECT IN THE NEVER NORMAL SUPPLY CHAIN

CHANGING CONSUMER BEHAVIOR

- **Social distancing norms** will change what, where and how goods and services are delivered
- **>60% growth in online retail** since COVID-19 start²
- **>90% growth in click and collect**

MORE UNPRECEDENTED EVENTS

- **>75% of organizations** planning for COVID-19 return scenario³
- Supply chain will need to become **more reliable and flexible**
- Future supply chain will need **to shift in response to changing impact** across the supply ecosystem

AGILE AND FLEXIBLE ECOSYSTEM

- Cost structures will move from **more fixed** to **more variable**
- Future investments will be to **build agility** for volatile environments and to **support digital capabilities**
- **~70% of companies accelerating digital transformation**⁴

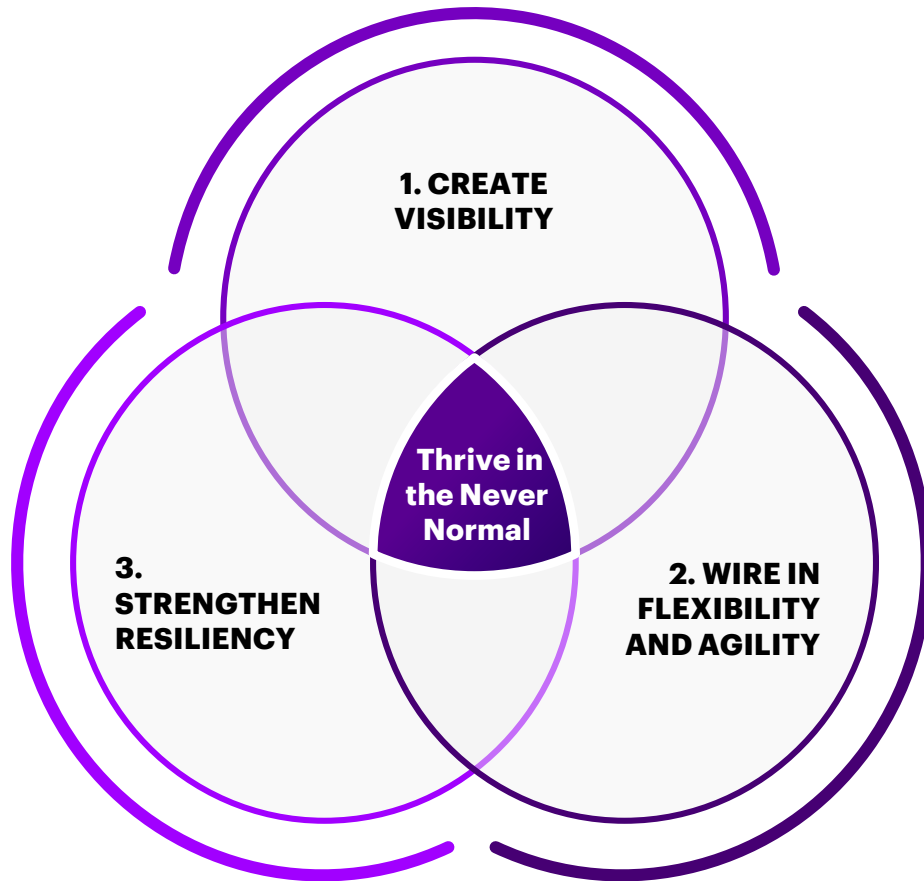
ANALYTICS-DRIVEN SUPPLY CHAIN

- **Visibility and analytics will be essential** for companies to **focus efforts, drive scenario planning, and rapidly respond** to changing consumer demand
- **~50% of companies launching new analytics/BI projects** or moving forward without delay⁵

Ensuring resiliency now for success in the future means companies need to prepare supply chains and production networks to balance reliability with responsiveness.

HOW BUSINESSES CAN OUTMANEUVER UNCERTAINTY

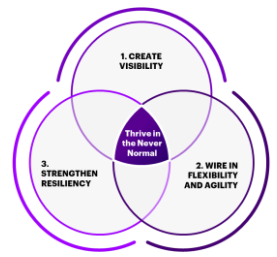
Applying a **zero-based lens** across the supply chain provides the visibility needed to make deployment and cost containment decisions, identify opportunities for immediate relief and risk balancing, and execute with resilience: All supported by a deep analytics backbone.



A **Zero-based Supply Chain (ZBSC)** provides the building blocks to accelerate this journey rapidly.

By radically shifting cost curves and boosting performance across the supply chain, businesses can create **new value to fuel sustained growth in the Never Normal world.**

1. CREATE VISIBILITY



The Need

- Now more than ever, enterprises **need to understand what is happening** in their supply chains, production sites, and across ecosystems to best respond to ongoing demand changes
- Changes in consumer behavior, increased demand volatility from unpredictable events (future pandemics, natural disasters, social unrest), and new norms (more at-home consumption, expectation of person, and product hygiene) will make **visibility essential going forward**
- To become more resilient, companies will need to **create real visibility of demand and supply** to understand risks and opportunities to act rapidly, combining financial and operational data across the organization

The Steps

1. CAPTURE DATA

- Capture **financial, and operational data** (e.g., cost to serve, plant efficiency, warehouse throughput) at an actionable level to understand performance, **make surgical cost decisions** including closing plants, inventory reallocation, and **pivot quickly** to new information.

2. CONNECT SYSTEMS

- Create **full visibility** across the ecosystem – suppliers, distributors, and end-user – to **know where risks are** developing and to take action.
- Establish **“control tower” capability to ensure deliberate execution** – leading companies are strengthening their control tower capability to build a competitive post-COVID-19 supply chain.

3. BUILD ANALYTICS CAPABILITY

- Build an **expandable analytics platform**, applying a pragmatic mindset to action versus perfection that **allows for monitoring through dashboards, scenario planning, and predictive analytics.**

CASE STUDY: DRIVING VISIBILITY AND VALUE IN HEALTHCARE



One healthcare player struggled with clinical expenses as pressures increased on payments for services and costs steadily rose.

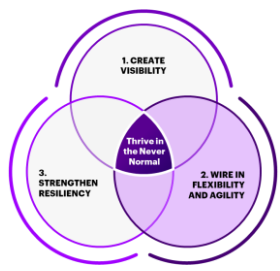


ZBSC was leveraged to drive visibility and target value. As a result, administrative, production, and operational performance gaps were identified across 300+ practices, identifying 3%+ in EBITDA impact in <10 weeks.



The effort played out at the advent of the COVID-19 pandemic. Accenture rapidly completed dashboards to create deep visibility for the leadership to understand the overall utilization landscape. This helped them swiftly adjust staffing to meet all needs and manage total costs during the pandemic and beyond.

2. WIRE IN FLEXIBILITY AND AGILITY



The Need

- Enterprises will need to **rethink ecosystem talent** across the value chain and balance cost and safety with flexibility
- The question that must be asked is: **“Do I have what I need when I need it?”**
- **Organizations achieve flexibility with talent** while balancing the three C’s: cost, capability, and capacity through the five steps outlined to the right

The Steps

1. IDENTIFY CRITICAL WORK

- Identify **what work is critical** across the value chain (strategic vs. transactional) to operate in the Never Normal.
- Operations in the Never Normal will have a high **degree of variability requiring flexibility** in the talent pool.

2. EXPLORE TALENT ELASTICITY

- Explore **talent elasticity and liquid workforce** pools. Maintain a “core team” with “flex team” to ramp up and down to balance cost and safety with flexibility.

3. UNDERSTAND WORK REQUIRING PHYSICAL PRESENCE

- Understand **what work will require physical proximity** or presence to operate in the Never Normal, including work with ecosystem partners.

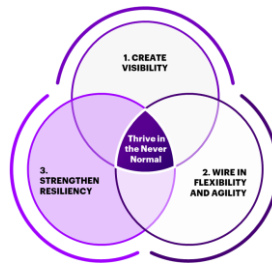
4. BUILD PARTNER ECOSYSTEM

- Build an **ecosystem of partners**, leveraging suppliers and contract manufacturers, to provide flexibility and balance a variability curve, which will look more like a “W curve,” one with cycles of disruption and recovery.

5. SELECTIVELY INVEST IN DIGITAL

- **Invest in technology and digital** tools to enable remote operations and virtual workspace to amplify human and machine intervention, where scenario analysis confirms value impact.

3. STRENGTHEN RESILIENCY



The Need

- Operations leaders are already asking, “**What can I learn from this crisis** to be better prepared for the next one?”
- Companies need to **re-examine how existing assets and capabilities** can be used
- And **re-evaluate** how upcoming investments contribute to accelerating recovery while building resiliency

The Steps

1. UNDERSTAND ASSETS

- Understand which elements of **supply chain operations met acute change** in demand or were able to be re-purposed for alternative use (e.g., flexible assets, automated processes, labor practices).
- Learn from what worked to **build capabilities** to bridge gaps for future resiliency, such as investing in operational analytics, manufacturing digitization, and data-driven scenario analysis).

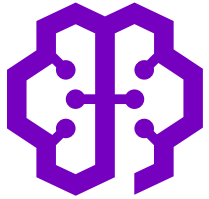
2. EXPLORE AUTOMATION OPPORTUNITIES

- Take stock of **automation opportunities** (process automation, digital streamlining of in-plant/DC /fleet operations), using visibility gained from ZBSC to make smart investment choices.
- Balance short-term value with increasing long-term reliability needs (e.g., digital factory, warehouse robotics).

3. INTRODUCE CONTROL-TOWER LIKE CAPABILITY

- Create a **robust control and monitoring capability** for the Never Normal to balance reliable output for customers and operational health and safety controls across the supply chain and value for shareholders.
- Embed this capability into the **control tower to generate holistic views** across the extended supply chain.

PREPARING FOR UNCERTAINTY



AMP UP ON-DEMAND VISIBILITY

- Build a **robust mechanism to understand demand** patterns
- Create on-demand **visibility for scenario planning**
- Establish an **intelligent control and monitoring** capability



RETHINK COSTS

- Begin thinking about **“should-cost” models**
- **Challenge historical costs** in the Never Normal
- Focus on **changing organizational mindset** on must-haves versus nice-to-have capabilities



SUPERCHARGE ECOSYSTEMS

- **Establish ecosystem and digital** capabilities to go asset-light
- Ramp up the **digitization of capabilities** across the ecosystem, allowing cost to be more variable and on-demand

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References

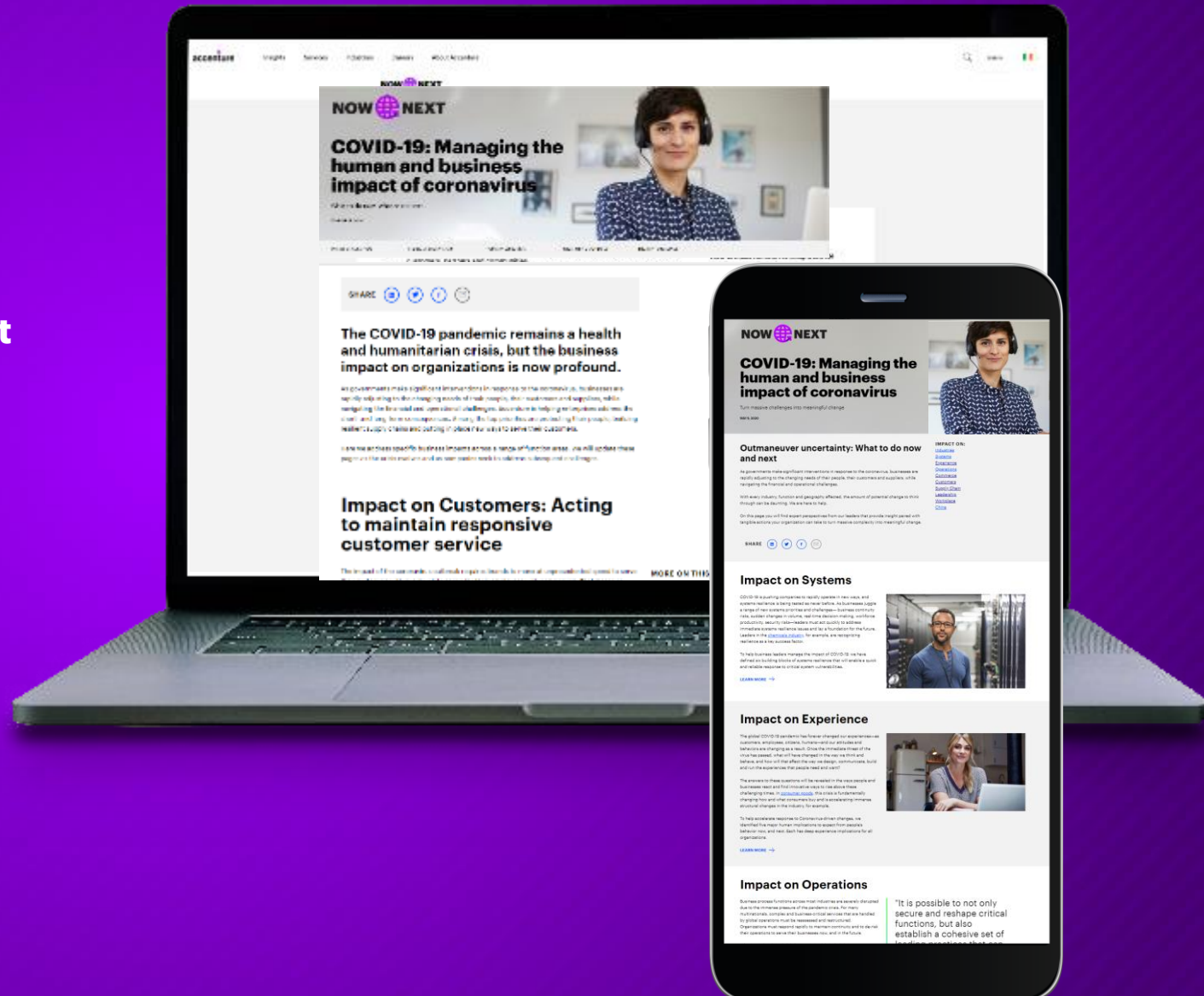
- ¹ Institute for Supply Management, [“COVID-19 Survey: Impacts on Global Supply Chains, study reveals virus’ supply chain effects”](#), March 2020
- ² Nielsen.com, [“How consumers are shopping during COVID-19”](#), May 2020
- ³ [i4cp Survey](#), May 2020
- ⁴ Forbes, [“Is COVID-19 forcing your digital transformation? 12 Steps to Move Faster”](#), April 2020
- ⁵ Forbes, [“How COVID-19 Is Changing Analytics Spending”](#), May 2020

To help our clients navigate both the human and business impact of COVID-19, we've created a hub of all of our latest thinking on a variety of topics.

Each topic highlights specific actions which can be taken **now**, and what to consider **next** as industries move towards a New Normal.

From leadership essentials to ensuring productivity for your employees and customer service groups to building supply chain resilience and much more, our hub will be constantly updated. Check back regularly for more insights.

[VISIT OUR HUB HERE](#)



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