

# Supply Chain Resilience and Agility in a COVID-19 World

## Supply chain best practice and optimisation

### 9 supply chain trends and shifts

#### 1 West to East Trade Shift

Caused by factors such as Asian middle income population growth, giving competitive advantage to those with strong Asian footprints.

1

#### 2 Supply Chain Resilience

Drivers include growing focus on supply chain diversification, agility and transparency. Implies need for greater risk mitigation.

2

#### 3 Re-shoring

New technology bringing production closer to point of sale, resulting in shorter supply chains.

3

#### 6 Sustainability

Growing consumer preference for more sustainable goods and brands with clear purpose and a social contract.

6

#### 5 Shift from B2B to B2C

Changing consumer buying further accelerated during lockdown, requiring solution convergence across wholesale/retail leading to direct to consumer sales.

5

#### 4 Growing non-physical trade

Driven by increasing digitisation, causing growth in TMT sector.

4

#### 7 Government intervention

Protection of strategic sectors, resulting in some export/investment curbs.

7

#### 8 Vertical and horizontal integration

Significant restructuring and insolvencies, driving greater M&A activity.

8

#### 9 Sector transformation

Shift in relative importance of business sectors and appearance of new ones, causing increased M&A activity plus emergence of new clients in new sectors.

9

### The short-term: maintaining cash flow along the supply chain

Leading treasuries responded swiftly to the pandemic by:

#### Putting their own cash in the best possible order



Optimising their own cash



Adapting business models and product lines to ensure continued cash generation



Transitioning to digital channels and direct consumer engagement

#### Supporting key suppliers' cash flow



Providing additional supply chain financing (SCF) support



Supporting faster onboarding of suppliers to SCF schemes



Making advance payments where appropriate

## Translating experience into medium-term measures

Continue to focus on cash flows and balance sheet

1

Prepare for withdrawal of government support schemes. Increase frequency of cash forecasting. Consider making temporary revenue-preservation steps (e.g. new e-commerce channels) permanent.

Build and maintain resilient supply chain

2

Maximise transparency to identify risks. Build in redundancy. Where necessary, inject liquidity.

Carefully manage inventory

3

Avoid excess inventory. Ensure optimal inventory positioning for demand.

Balance credit risks and payment terms

4

Balance need to support customers with risk of default by considering options such as receivables finance.

Technology, technology, technology

5

Intelligent use of technology can expedite implementation of steps 1-4. Across the board, technology can and should be used to automate and simplify processes.

## Resilience for the longer-term

Future-proofing operations and ensuring financial adaptability along the supply chain



Don't rush into long term structural change alongside more urgent measures that may be costly/disruptive to unwind later.



Digitise to improve efficiency and visibility. Consider implementing digital ledger technology where appropriate/advantageous.

### Strengthen strategic supplier relationships through support and closer interaction, such as through visits and inspections.



Fund earlier, deeper and smarter



Accelerate innovation along the supply chain to benefit all participants



Ensure the financial health of all supply chain members.

**For more details** on how banks can build resilience to withstand events such as Covid-19, read our report: **'Supply Chain Resilience and Agility in a COVID-19 World'** or talk to your HSBC Relationship Manager

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