

The PwC CFO Survey Series

Survey 5: Sustainable Supply Chain

November 2020





INTRODUCTION

The PwC CFO Survey Series

The effects of the current economic crisis due to the COVID-19 pandemic are being felt by businesses across the globe. To gauge their impact on Belgian companies, PwC Belgium has carried out a series of surveys, gathering the opinions of a group of CFOs from different sectors. The results have been published in a set of reports revealing the effects of the crisis on finance, operations, workforce and supply chains.

Survey 5: Sustainable Supply Chain

This report covers the findings on the effects of the crisis on a selection of Belgian companies' supply chains, and their plans and predictions for a post COVID-19 world.

53% have a **contingency plan** to ensure the continuation of supply

40% have accelerated their **digital transformation projects** in response to the crisis

Highlights

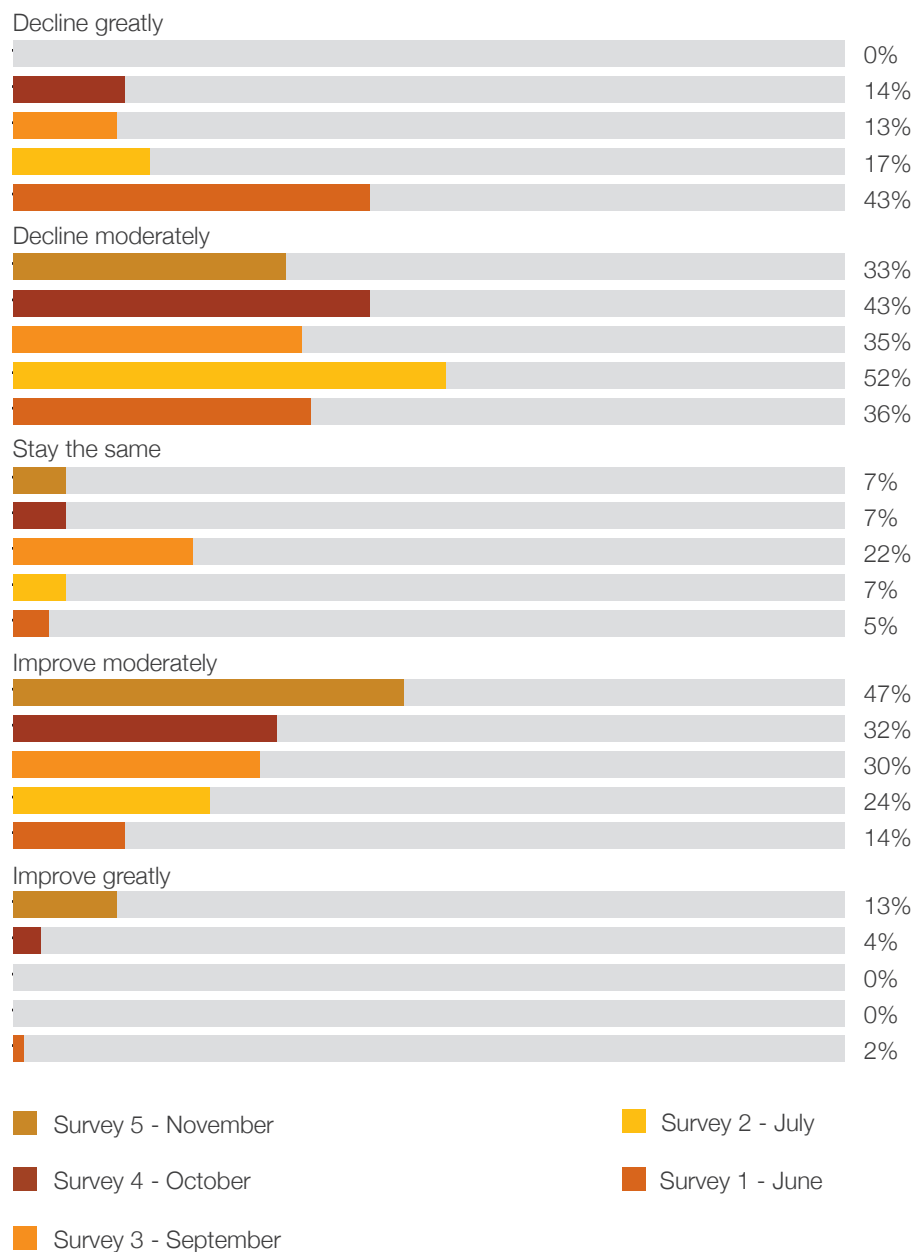
80% don't believe that their supply chains will **become more localised** as a result of the pandemic

20% have implemented **real-time track and tracing** or customer relationship management **software-based supply chain technologies**

CONFIDENCE BAROMETER 1: THE BELGIAN ECONOMY

01

Do you believe Belgian economic growth will improve, stay the same, or decline over the next 12 months?

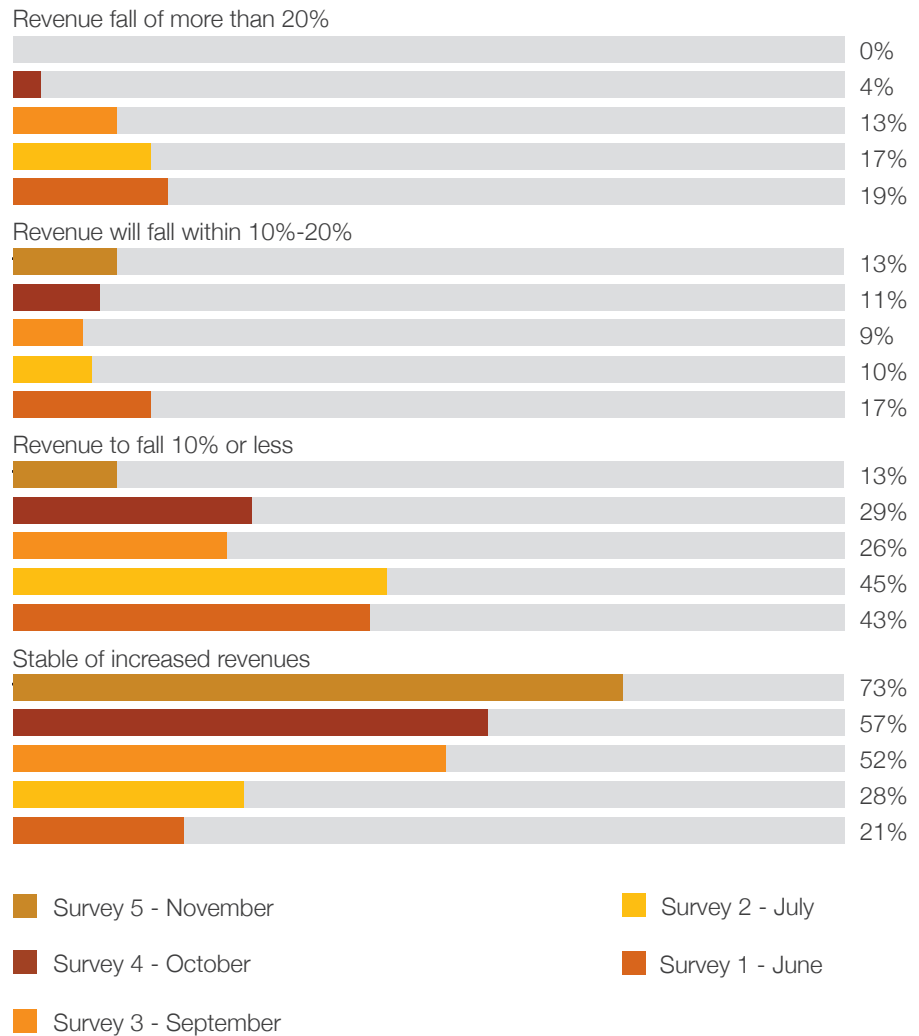


Among respondents to PwC's CFO Survey 5: Sustainable Supply Chain, 60% collectively believe that the economy will improve moderately or greatly in the next 12 months, a sharp rise compared with a collective 36% in [the survey of October](#).

CONFIDENCE BAROMETER 2: REVENUES

02

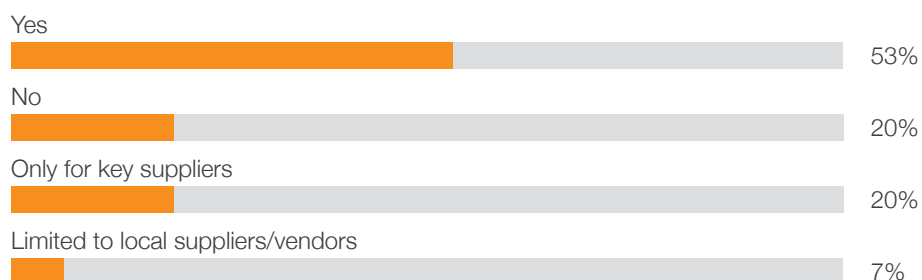
What are your organisation's predictions in terms of revenue in the coming 6 months?



In line with respondents' growing optimism in Belgian economic growth in the coming 12 months, they also believe that their revenues will increase. 73% of respondents believe that their revenues will remain stable or increase. Since the first survey results in June, there's been a steady increase in respondents' optimism in both their revenues and in economic growth.

03

Do you have a contingency plan to ensure the continuation of supply?



It comes as a surprise that despite all the disruption caused by the COVID-19 crisis, only 53% of respondents have a contingency plan to ensure continuation of supply. Our experience shows that the extent of preparedness varies significantly from industry to industry. Companies in sectors already well versed in ecommerce tend to be better prepared than those that had to suddenly adapt. The latter finding themselves with systems not designed for the massive volumes they had to swiftly deal with and accustomed cost-efficiencies no longer available. To remain fully operational, businesses must pressure test their systems to assess their robustness in the event of increased or decreased volumes.

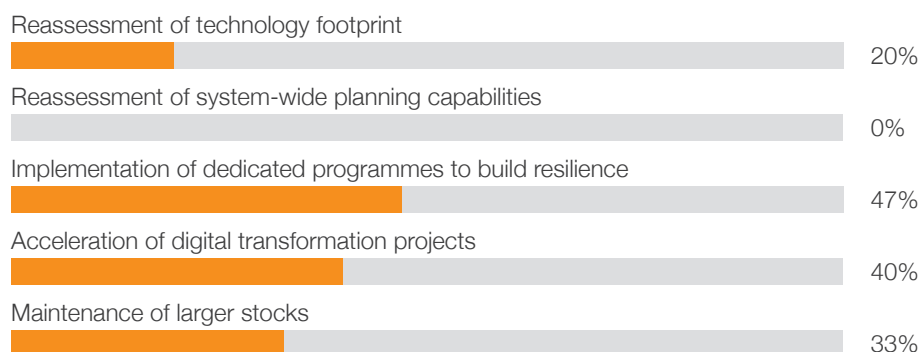


Peter Vermeire
Partner

Whether the COVID-19 crisis has had a negative or positive effect has varied from sector to sector. For some, demand has risen, leading to increased volumes, but via different channels. Others have experienced sharp decreases. The challenge faced by most companies is how to plan for the future, and how to calculate costs. With the exception of perhaps the pharmaceutical industry, it's a brave person who dares predict what will happen in the coming months.

04

What changes to your supply chain have you made post crisis?



40% of respondents have ramped up their digital transformation projects in response to the COVID-19 crisis. PwC research shows that these projects primarily focus on the front end - the customer - and this has an impact on the supply chain. Companies need to consider integrating buffers should their supply chain be disrupted.

A knock-on effect of prioritising digital transformation projects is that other investments have been delayed. For example, in a hospital, the massive demand for face masks will likely lead to the delay of less urgent projects such as upgrading an operating theatre. This, in turn, puts pressure on the supply chain as demands change. Nowhere is this more evident than in the retail and consumer goods sector. Many stores had to temporarily close their doors as they were unable to handle the digital ordering process.

The need to build resilience in such turbulent times is reflected in almost half of the companies implementing programmes to strengthen their supply chains in the event of further disruption.



05

What are the top three supply chain focus areas for this year?

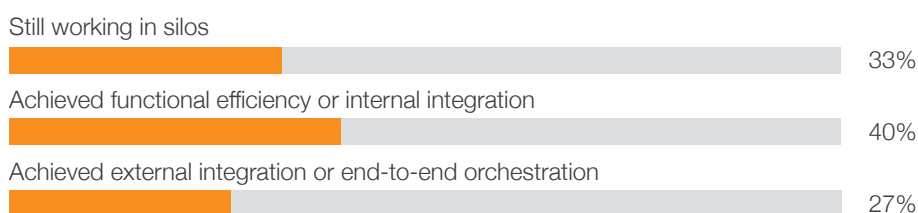


The crisis has emphasised the importance of having the right product, at the right time in the right place. This is clearly reflected in the two high scoring supply chain focus areas - demand planning and forecasting and integrated business planning.

Companies with integrated end-to-end planning are more resilient and have more visibility over the whole supply chain, enabling them to act and react more quickly. If you can detect a problem in advance, then you can plan for it. Linked to these two priorities is new product development and commercialisation which is also a focus for many respondents.

06

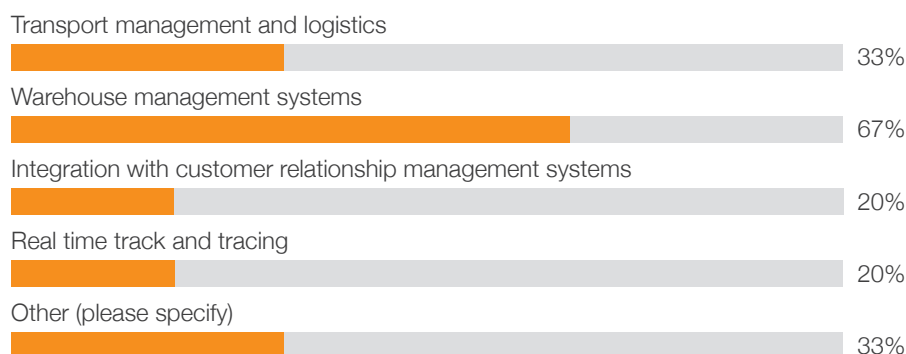
Which statement best describes your supply chain today?



At 40%, a majority of respondents are somewhere between the 'old' and 'new' forms of supply chains. 33% still operate in a traditional 'silo' way of working, where each business function operates separately. Just over a quarter of the respondents are more mature, having adopted a fully integrated supply chain, which spans from supplier to customer. An end-to-end supply chain offers greater transparency, more flexibility to adapt to changes and in turn, greater resilience.

07

To what extent have you implemented the following software-based supply chain technologies within your company?

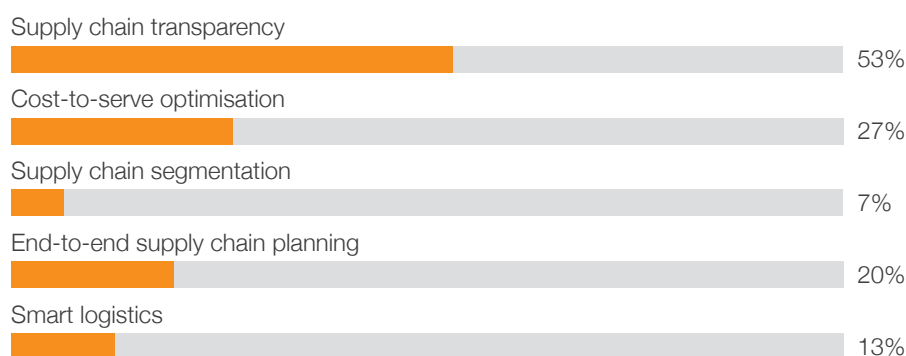


In line with the findings in previous questions, most respondents are still lacking an integrated approach to their supply chains. With only 20% scoring on either integration with customer relationship management (CRM) or real-time track and tracing, there's clearly still some way to go for many Belgian companies to optimise their supply chains.

Whereas warehouse management systems are of fundamental importance (87% have implemented such systems), companies that have integrated real-time track and tracing and customer relationship management into their supply chains will have greater resilience in the long term.

08

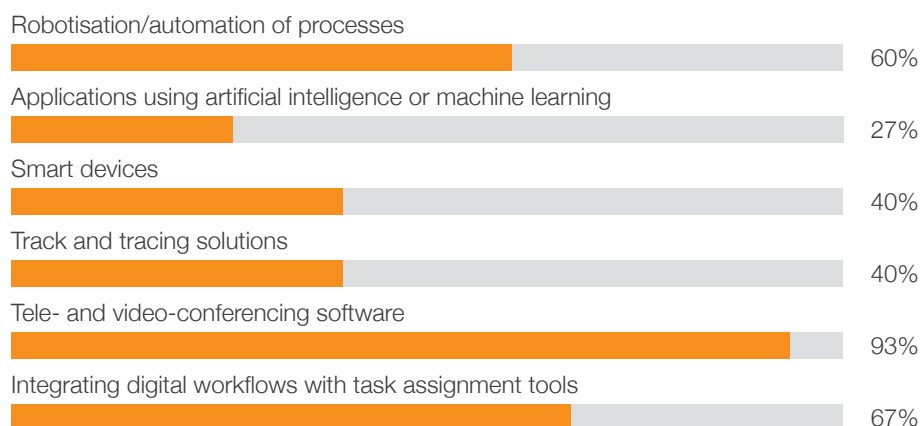
For which capabilities are you applying artificial intelligence, machine learning or deep learning?



Having a clear overview on your supply chain is critical for the smooth running of any business. More than half of the respondents stated that they have recognised this need and plan to invest in technology to assist in locating stocks at any given moment, pinpointing disruptions and identifying glitches in the chain. This is where AI and associated technologies come to the fore as invaluable tools for conducting smooth operations.

09

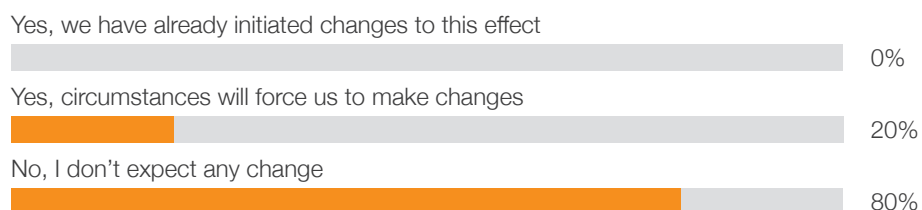
Which of the following technologies have you implemented in your organisation?



Tele and video conferencing technology is now a given in almost all workplaces (93% of respondents), with integrated digital workflow and task assignment tools also featuring in 67% of respondents' operations. The 40% of respondents who have already invested in track and tracing solutions confirm our findings in the market in general. Companies are recognising that having full visibility on their goods flow is vital in serving customers' needs and expectations.

10

Do you expect your supply chain to become more localised as a result of the pandemic?

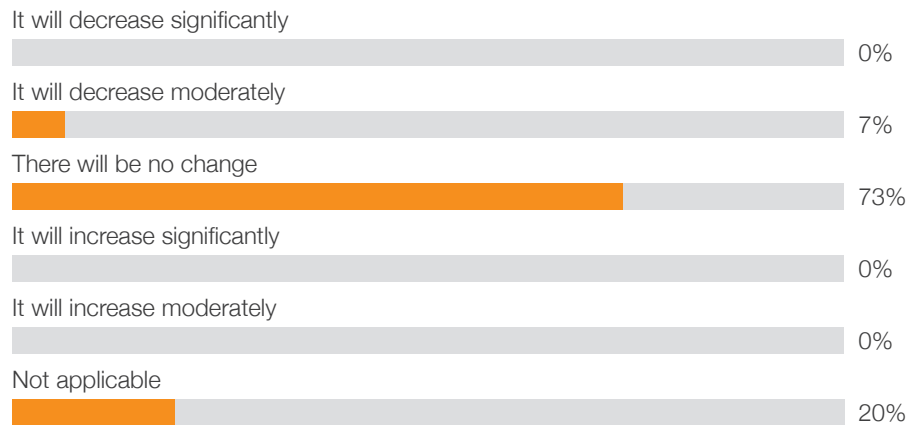


A surprising 80% of respondents believe that things will go back to normal, post-pandemic. An unexpected result in view of the fact that consumer habits will almost certainly have changed permanently, even when the high streets return to normal. The shift to ecommerce is unlikely to revert back to former levels, and the volumes of goods bought online will increase.

It's worth noting that the sector in which a respondent works will have influenced their answer. B2B companies are more likely to predict 'business as usual', whereas B2C businesses will anticipate having to make changes.

11

How do you expect your company's dependency on import to evolve?



The fact that almost three quarters of respondents don't anticipate any change in their dependency on imports ties in with the findings of question 10. Companies don't expect major changes to their supply chains.

Although companies suffered some supply chain disruption during the crisis, it was manageable. Deliveries were delayed, but ultimately shops weren't empty and ecommerce platforms didn't run out of products. From a supply perspective, at least, the disruption didn't have a fundamental impact on the business.

However, although many businesses currently don't believe that there will be changes to their supply sources, the longer term paints a different picture. It is very likely that the forces pushing business to a more local supply chain will not fade away. In the coming years we can expect a move towards more regionalisation, to which companies will need to adapt.



As we emerge into a new normal, consumers' ongoing caution about the impact of COVID-19 means companies will have to provide more transparency and visibility on the origin and journey of their products.

Peter Vermeire

CLOSING REMARKS

Summarising the findings of this survey, most respondents don't anticipate that the COVID-19 crisis will have a significant immediate impact on their supply chains. In the short-term this may be true. However, it is almost certain that there will be a gradual move to more local supply chains to which business will have to adapt.

Companies that invest in technologies giving them a complete overview of their supply chains, enabling them to act and react to real and anticipated disruptions, will be far better placed to withstand any future turbulence. Although 40% of our respondents say that they have accelerated their digital transformation projects in response to the crisis, other figures indicate that many companies are not prepared for the changes looming on the horizon. With only just over half reporting that they have a contingency plan in place, and a mere 20% having implemented real-time track and tracing or customer relationship management software-based supply chain technologies, many companies will face tough times ahead if they do not take steps to adapt to a new reality.





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Jochen Vincke
Partner

Global supply routes have been interrupted during the crisis, forcing companies to localise their supply chains. This has highlighted the need to increase resilience and reduce dependence on a single country or supplier. While many US and European manufacturers are now looking into moving production closer to their customer base, our survey shows that Belgian companies do not anticipate having to take such measures in the short term. However, they will not escape this trend of increasing regionalisation, and will need to adapt to this new reality.

For questions about the PwC's CFO Survey 5: Sustainable Supply Chain, or additional information on the effects of the COVID-19 crisis on Sustainable Supply Chain, don't hesitate to get in touch.

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