

HOW IS YOUR COMPANY COPING WITH THE IMPACT OF THE COVID-19 CRISIS?

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Valcon



Capability building

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BACKGROUND AND RESUME

In March 2020 DILF and Valcon conducted a survey to identify how companies are impacted by and coping with the current COVID-19 crisis. The analysis has provided insights into how the companies are handling their current procurement activities as well as expected short-term challenges.

Based on the findings of this survey, we have identified a number of recommendations.

The respondents of the survey are primarily based in Northern Europe and mainly include manufacturing and trading/wholesaler companies. The company sizes vary from locally based companies to companies with global reach.

Please feel free to contact us if you have any questions regarding the survey or our recommendations.

We thank the participants for sharing this valuable information , March 2020

Søren Vammen & **Ulrick Sebber**

CEO/DILF

Director, Valcon

HOW IS YOUR COMPANY COPING WITH THE IMPACT OF THE COVID-19 CRISIS?

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS



The Covid-19 crisis affects all companies. Respondents are especially concerned about future sales and supply disruption.

respondents voice almost identical concerns

The majority of respondents companies have moved closer to the suppliers

A minority of the respondents have prepared for possible changes to procurement volumes and the financial impact of the Covid-19 crisis

<30% of the respondents have identified alternative suppliers

<20% of the respondents were well prepared for the crisis. The majority have to prepare for a new normal

RECOMMENDATIONS



IMMEDIATE ACTIONS

Continue close dialogue/communication with key customers about demand

Maintain very close dialogue/communication with critical suppliers.

Focus on identifying alternative suppliers

Build scenarios and prepare action plans to increase transparency of volume and financial impact

Start initial planning for ramping up after the Covid-19 crisis (key learnings from '08 financial crisis)

POST CRISIS ACTIONS

Focus on robustness in procurement and supply chain. Digitalization of processes, planning and supplier interaction are crucial actions

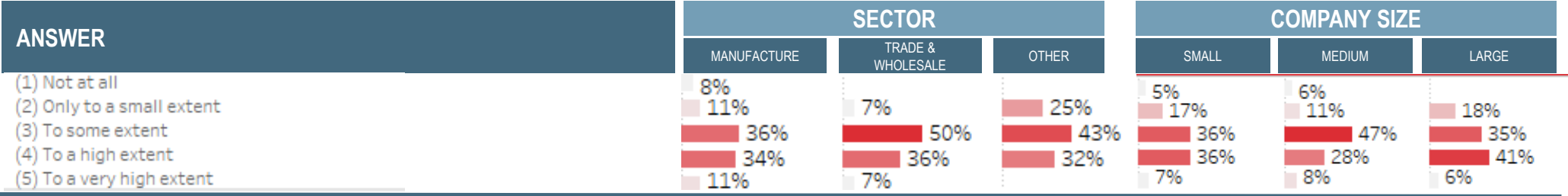


INFOBOX:

<30% of the respondents (DILF/VALCON survey on digitalization 2019) had digitalized supplier relationship management

HOW IS YOUR COMPANY COPING WITH THE IMPACT OF THE COVID-19 CRISIS?

How do you think your company will be affected by the corona virus in terms of demand/sales?

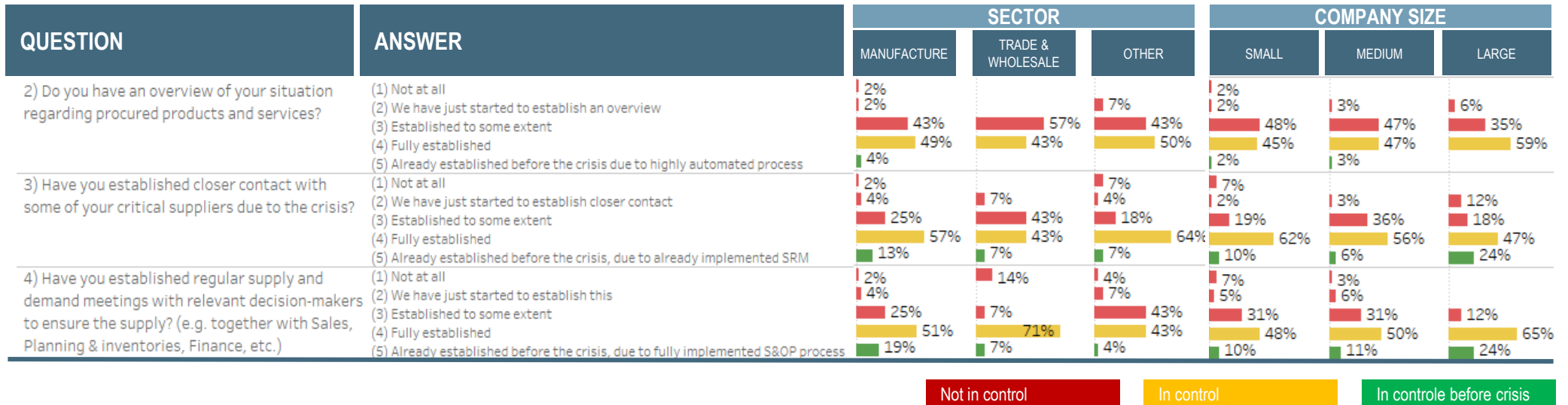


Observations, across respondents

- 81% of respondents are to some extent affected by the Corona crisis

HOW DOES YOUR COMPANY COPE WITH THE IMPACT OF THE COVID-19 CRISIS?

How are your supply chain and procurement activities affected, and how do you handle the situation in the short term?



Observations, across all respondents

- 50% have full overview of procured products and services
- 68% have established closer crisis responds be frequent follow up internally and with suppliers
- 13% had robust processes sufficient for Corona crisis management.

HOW DOES YOUR COMPANY COPE WITH THE IMPACT OF THE COVID-19 CRISIS?

How does the crisis impact your short-term obligations on the supply side

QUESTION	ANSWER	SECTOR			COMPANY SIZE		
		MANUFACTURE	TRADE & WHOLESALE	OTHER	SMALL	MEDIUM	LARGE
5) Do you have an overview of the impact on your procurement volume?	(1) Not at all	6%	7%	7%	10%	6%	12%
	(2) We have just started to establish an overview	6%	14%	11%	7%	8%	8%
	(3) Established overview to some extent	40%	50%	46%	40%	47%	41%
	(4) Fully established	43%	29%	25%	36%	39%	29%
	(5) Already established before the crisis, due to automated S&OP processes	6%		11%	7%		18%
6) Do you have an overview of the financial impact in case of purchase order cancellations from your company?	(1) Not at all	13%	14%	18%	17%	17%	6%
	(2) We have just started to establish an overview	23%	7%	18%	24%	19%	6%
	(3) Established overview to some extent	45%	79%	50%	50%	47%	65%
	(4) Fully established	19%		7%	7%	17%	18%
	(5) Already established before the crisis, due to automated ERP processes			7%	2%		6%
7) Do you have an overview of alternative suppliers to support your critical products and services?	(1) Not at all	6%		7%	10%		6%
	(2) We have just started to establish an overview	8%	21%	4%	10%	6%	12%
	(3) Established overview to some extent	64%	50%	57%	57%	69%	47%
	(4) Fully established	17%	21%	4%	10%	14%	24%
	(5) Already established before the crisis, due to already established SRM process	6%	7%	29%	14%	11%	12%

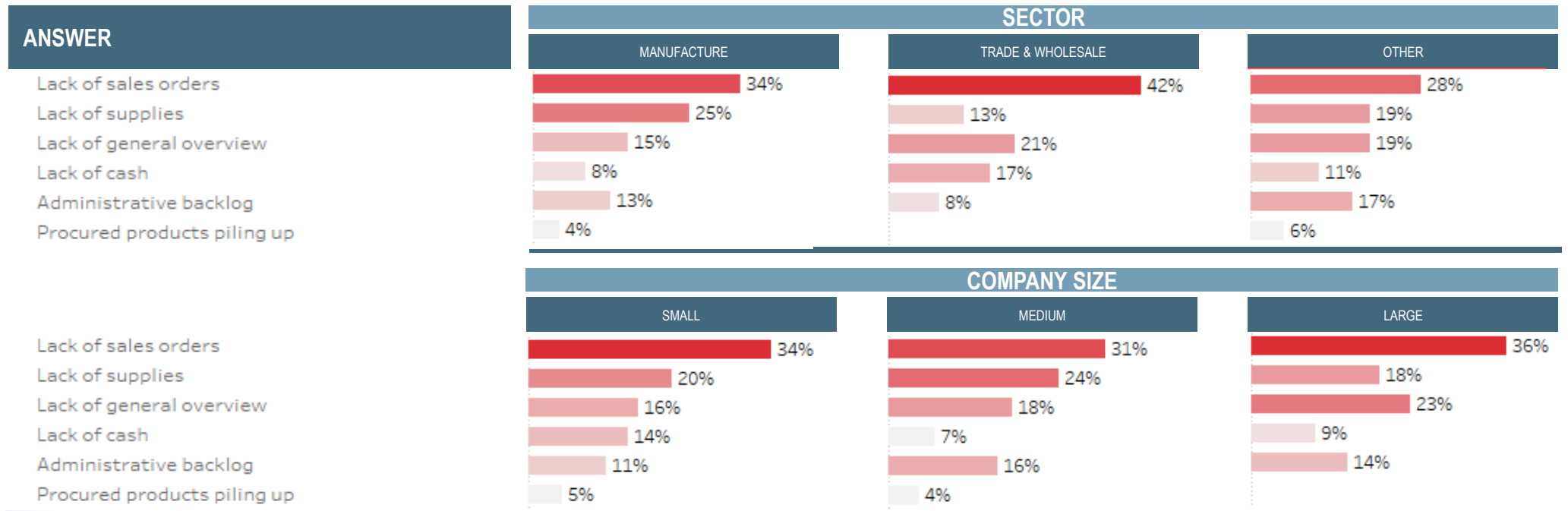


Observations, across all respondents

- 55% are mainly focusing on control of procurement
- 86% do not have an overview of the possible financial impact of cancelled purchase orders
- 27% have an overview of alternative suppliers

HOW IS YOUR COMPANY COPING WITH THE IMPACT OF THE COVID-19 CRISIS?

Which challenges are currently the most important in your company?

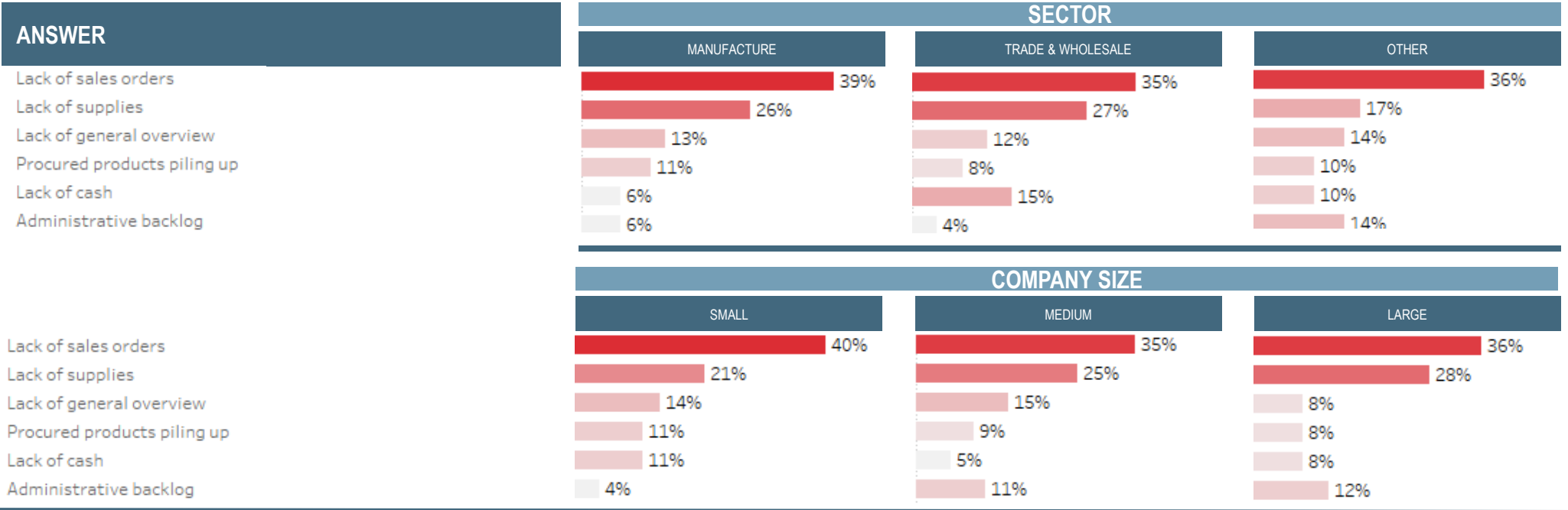


Observations

Lack of sales, supply and general overview are the most frequently identified challenges. However, the trade and wholesale sector identifies cash issues as the third most important challenge

HOW DOES YOUR COMPANY COPE WITH THE IMPACT OF THE COVID-19 CRISIS?

Which challenges are the most important in your company in a month from now



Observations
 Concerns about sales and supply are still identified as major challenges in the near future

HOW IS YOUR COMPANY COPING WITH THE IMPACT OF THE COVID-19 CRISIS?

Which challenges are the most important in your company – comments from survey

Which challenges ARE CURRENTLY the most important

Supply performance is developing and changing very rapidly with both European and Global suppliers being influenced by decisions taken in countries where their production sites are located. An overview prepared today may very well be outdated tomorrow or even within hours.

Uncertainty about the near future supply of materials for production

Uncertainty re. the impact of Covid-19, primarily from a demand perspective. Uncertainty related to how countries will close down or open their infrastructure

Since the situation is changing by the hour and we have 130 plants in many countries across the globe, I can't say that we have a complete overview. Our overview is being updated on a daily basis and with one daily video conference

Day-to-day real-time information from customers on possible impact, when our supply chain is in control

Lack of manpower - many workers sick (not corona) and taking care of their children.

Keeping up with increasing sales causes challenges regards - mfg capacity - transportation from mfg sites to distribution hubs (including additional cost of air transportation)

Plan when deliveries should arrive (when will production be running 100 %)

Huge risk of losing 70% of turnover as we are selling mainly to laundries servicing the hotel sector

The different work setups we need to implement at our production sites

Concerns about potential future cash flow More concern about logistic than supply.

Which challenges are most important in ONE MONTH FROM NOW

Unpredictable whether our points of sales are suddenly forced to shut-down

Uncertainty about the near future supply of materials for production - even if we have placed orders for the remainder of 2020 and received order confirmations, supply interruptions could still be very likely

Same as above

I do not believe we have seen the worst yet - except for China. Whether we will have serious issues or not depends on when we see the peak of the virus in each country. We are also uncertain whether all countries have tested as they should and whether statistics can be trusted. At the time of writing the situation looks as if it is totally out of control in the US where the President at the same time says stupid things like "Easter would be a good time to lift restrictions. We have to make sure that the cure is not damaging more than the disease". India has just started to impose sanctions and it remains to be seen whether sanctions will work in a country with 1.3 billion people of which many are living on the street or in sheds. Russia: Can we trust the figures?

Plan when deliveries should arrive (when will production be running 100 %)

We have no clue about the situation on hotels so do not know when we will be able to get back into the market - we try to work with health care but as production countries are closing fast flow of goods can be a challenge too

The different work setups we need to implement at our production setup. The risk of no supplies from critical suppliers.

Observations

While the majority of CPO's are currently getting in control, the sum of these respondents' concerns are supply markets, lack of man power (taking care of others) , increased process complexity and capacity for increases sales/ramp up.

HOW IS YOUR COMPANY COPING WITH THE IMPACT OF THE COVID-19 CRISIS?

When do you think your company will be back to normal, as before the crisis?

QUESTION	ANSWER	SECTOR			COMPANY SIZE		
		MANUFACTURE	TRADE & WHOLESALE	OTHER	SMALL	MEDIUM	LARGE
10) When do you think demand/sales will be back to normal in your company?	< 3 months	13%	7%	21%	12%	11%	29%
	3 - 6 months	53%	21%	32%	45%	42%	35%
	6 - 9 months	15%	29%	32%	19%	28%	18%
	9 - 12 months	9%	14%	11%	17%	6%	6%
	> 12 months	4%	21%	4%	5%	6%	12%
	Do not know	6%	7%		2%	8%	
11) When do you think procurement will be back to normal in your company?	< 3 months	26%	14%	43%	26%	31%	35%
	3 - 6 months	45%	36%	29%	33%	44%	41%
	6 - 9 months	15%	14%	14%	17%	14%	12%
	9 - 12 months	8%	14%	7%	14%	3%	6%
	> 12 months	2%	14%	4%	5%	3%	6%
	Do not know	4%	7%	4%	5%	6%	

Observations

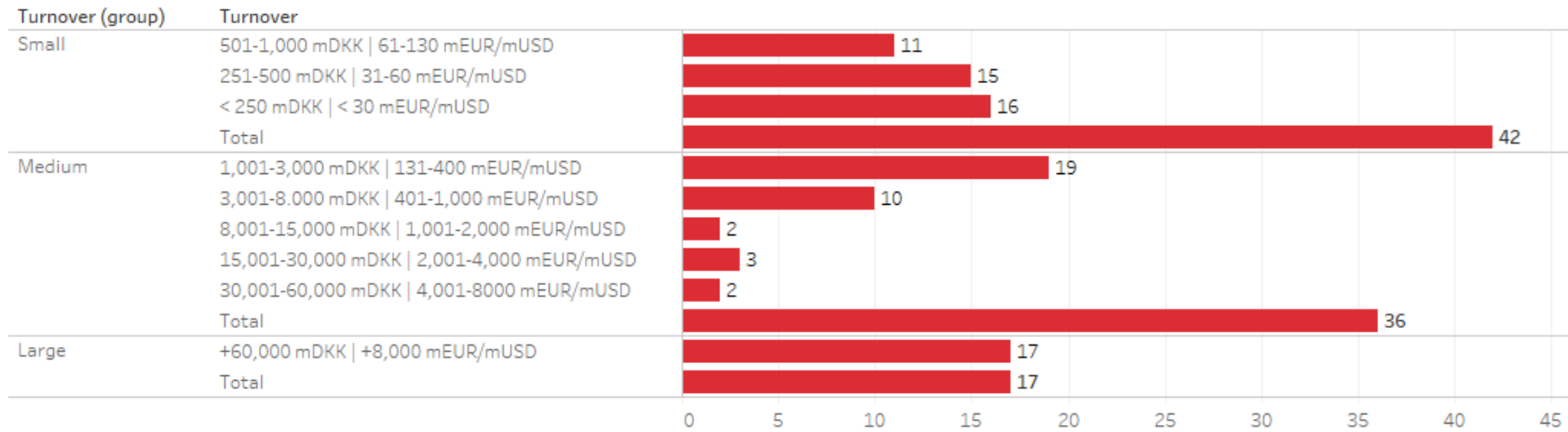
- 57% believe sales will be back to normal within 6 months
- 58% believe procurement will be back to normal within 6 months

APPENDIX A

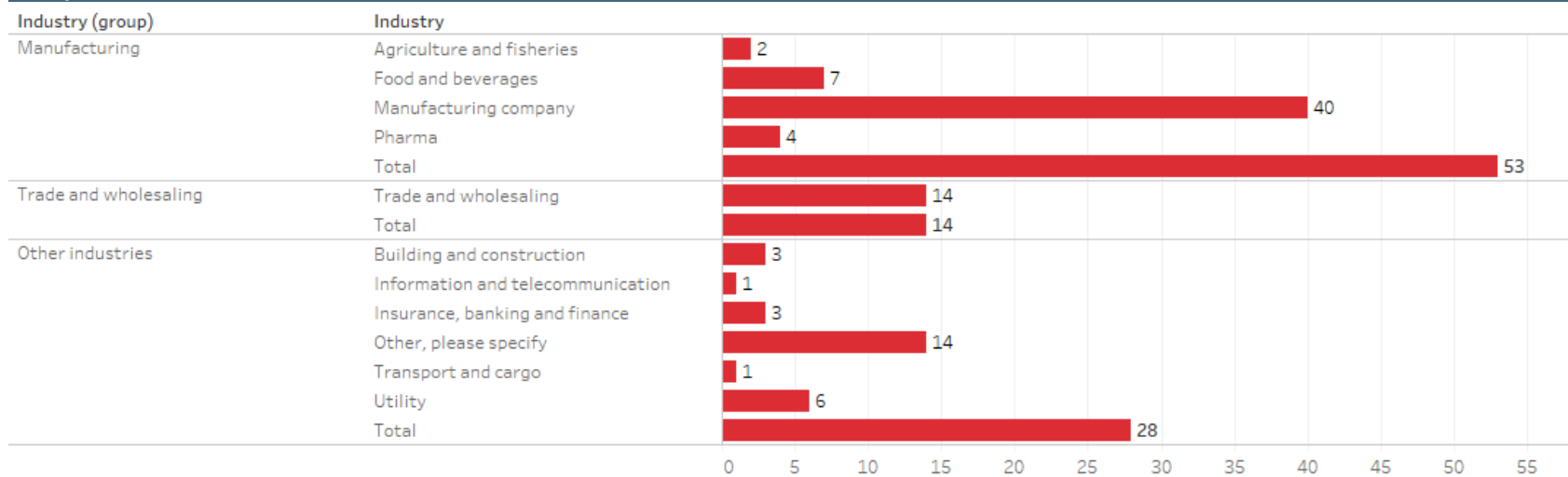
FACT SHEET, SURVEY

95 RESPONDENTS RECEIVED 1. APRIL 2020

respondents GROUPED BY COMPANY TURN OVER



respondents GROUPED BY INDUSTRY



WANT TO KNOW MORE?

POSSIBLE CONTACTS

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- 10 years advisory within public and private companies

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