Supply Chain Resiliency Executive Survey Insights
Key findings

- **Disruption** highlighted fundamental weaknesses in demand planning capabilities, with executives expressing dissatisfaction with demand forecast accuracy and prioritizing collaboration with suppliers and customers to improve capabilities.

- **Companies are pursuing supply base shifts**, looking to increase proximity of supply base to customers.

- **Supply chain disruption is widely felt**, with most industries experiencing production declines.

- **Recent disruption has created a shift in priorities**; investment goals are changing as companies focus on risk mitigation.

- **Increase resilience is a top priority**, which most executives associate with flexibility, agility, and visibility.

- **Looking ahead to recovery**, most companies expect disruption to continue through the end of the year and well into 2021.

- **Expectations about recovery time shape priorities**, with companies expecting longer-term disruption feeling less confident about executing on plans for the future and placing higher priority on investments in resilience and business continuity.

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Survey respondents spanned a range of industries and company size.

### Industry
- Total respondents by industry
  - Tech
  - Healthcare
  - Energy & Natural Resources
  - Industrials
  - Consumer Products

### Company size
- Total respondents by revenue
  - $500M-$999M
  - $1B-$5B
  - $6B-$9B
  - $10B-$20B
  - More than $20B+

### Role
- Total respondents by role
  - Senior Director, Director, Senior Manager or Manager within Supply Chain Organization
  - Senior VP or VP within Supply Chain Organization
  - Head of Supply Chain
  - CEO/COO/CIO

Source: DSCI / Bain survey on Supply chain industry resiliency (July 2020) N=200

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Looking ahead to recovery, executives express highest concern around demand planning, resiliency, and workforce safety

In recovery going forward, concern regarding specific challenges
% of respondents

<table>
<thead>
<tr>
<th>Challenge</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer expectations and demand planning</td>
<td>21%</td>
</tr>
<tr>
<td>Supply chain resiliency</td>
<td>29%</td>
</tr>
<tr>
<td>Workforce availability and safety</td>
<td>28%</td>
</tr>
<tr>
<td>Supplier or customer liquidity</td>
<td>30%</td>
</tr>
<tr>
<td>Supply or production availability</td>
<td>38%</td>
</tr>
<tr>
<td>Distribution continuity</td>
<td>37%</td>
</tr>
</tbody>
</table>

**Average Ranking**

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Average Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer expectations and demand planning</td>
<td>3.1</td>
</tr>
<tr>
<td>Supply chain resiliency</td>
<td>2.9</td>
</tr>
<tr>
<td>Workforce availability and safety</td>
<td>2.9</td>
</tr>
<tr>
<td>Supplier or customer liquidity</td>
<td>2.9</td>
</tr>
<tr>
<td>Supply or production availability</td>
<td>2.7</td>
</tr>
<tr>
<td>Distribution continuity</td>
<td>2.4</td>
</tr>
</tbody>
</table>

Q. On a scale from 1 to 4, please rate your level of concern about the following challenges as you think about recovery going forward.
Source: DSCI / Bain survey on supply chain industry resiliency (July 2020) N=200

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Among companies shifting location of supply base, majority are looking to increase proximity to customers.

**Reasons to shift location of supply base**

<table>
<thead>
<tr>
<th>Reason</th>
<th># of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply continuity - closer proximity to customers</td>
<td>105</td>
</tr>
<tr>
<td>Cost-based risk - trade or currency volatility</td>
<td>76</td>
</tr>
<tr>
<td>Service level responsiveness</td>
<td>67</td>
</tr>
<tr>
<td>Reaction to potential regulation</td>
<td>62</td>
</tr>
<tr>
<td>Differentiated manufacturing capabilities</td>
<td>48</td>
</tr>
<tr>
<td>Reduced cost of labor</td>
<td>43</td>
</tr>
<tr>
<td>New product requirements</td>
<td>29</td>
</tr>
</tbody>
</table>
Supply chain disruption is widespread; most expect moderate reduction, with impact varying by industry

Expected impact of Covid-19 crisis on production capacity before reaching steady state “new normal”
% of respondents

<table>
<thead>
<tr>
<th>Total</th>
<th>Industrials</th>
<th>Energy &amp; Natural Resources</th>
<th>Consumer Products</th>
<th>Healthcare</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>6%</td>
<td>14%</td>
<td>15%</td>
<td>9%</td>
</tr>
<tr>
<td>15%</td>
<td>14%</td>
<td>11%</td>
<td>15%</td>
<td>26%</td>
</tr>
<tr>
<td>16%</td>
<td>60%</td>
<td>11%</td>
<td>14%</td>
<td>30%</td>
</tr>
<tr>
<td>45%</td>
<td>16%</td>
<td>59%</td>
<td>41%</td>
<td>26%</td>
</tr>
<tr>
<td>12%</td>
<td></td>
<td>12%</td>
<td></td>
<td>9%</td>
</tr>
</tbody>
</table>

Survey Q. How do you expect the Covid-19 crisis to affect your production capacity before reaching a steady state "new normal"?  
Note: Significant spike; increase by 25%-50% pre-crisis, Moderate spike; increase by 5-25% pre-crisis, Moderate reduction; decrease by 5-25% pre-crisis, Significant reduction; decrease by 25%-50% pre-crisis, Severe and sustained reduction; decrease by 50%+ pre-crisis; Responses for Restaurant & Hospitality, Technology and Other not shown (N=26)
Source: DSCI / Bain survey on Supply chain industry resiliency (July 2020) N=200

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Recent disruption has created shift in priorities; investments goals changing as companies seek risk mitigation in addition to cost reduction.

Supply chain investments goals, last 3 years vs next 3 years
% of respondents

- **Flexibility**:
  - Last 3 years: 60%
  - Next 3 years: 35%

- **Increase resilience**:
  - Last 3 years: 41%
  - Next 3 years: 14%

- **Reduce cost**:
  - Last 3 years: 36%
  - Next 3 years: 17%

- **Business continuity**:
  - Last 3 years: 27%
  - Next 3 years: 31%

- **Embed digital/tech**:
  - Last 3 years: 22%
  - Next 3 years: 27%

- **Supplier Collab**:
  - Last 3 years: 33%
  - Next 3 years: 33%

- **Improve customer service**:
  - Last 3 years: 22%
  - Next 3 years: 25%

- **Improve decision making**:
  - Last 3 years: 14%
  - Next 3 years: 29%

- **Speed**:
  - Last 3 years: 13%
  - Next 3 years: 13%

- **New products**:
  - Last 3 years: 10%
  - Next 3 years: 17%

- **Increase quality**:
  - Last 3 years: 8%
  - Next 3 years: 2%

- **Community engagement**:
  - Last 3 years: 2%
  - Next 3 years: 2%

Q. Thinking about supply chain investments over the **last 3 years**, please rank your top 3 primary objectives.
Q. Thinking about supply chain investments over the **next 3 years**, please rank your top 3 primary objectives.

Source: DSCI / Bain survey on Supply chain industry resiliency (July 2020) N=200

Current focus has shifted away from customer-centric concerns

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Flexibility and agility are seen as key characteristics of a resilient supply chain with the goal of minimizing disruption.

Survey question: In your opinion, a "Resilient Supply Chain" means:
Source: DSCI / Bain survey on Supply chain industry resiliency (July 2020) N=200.

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In recovery outlook, respondents expect a slower, longer-term recovery; fairly consistent across industries.

Expected time until supply chain to reaches "new normal"
% of respondents

<table>
<thead>
<tr>
<th>Industry</th>
<th>Rapid recovery (0-6 months)</th>
<th>Not enough confidence to predict</th>
<th>Slower recovery (6-12+ months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>28%</td>
<td>67%</td>
<td>100%</td>
</tr>
<tr>
<td>Consumer Products</td>
<td>26%</td>
<td>69%</td>
<td></td>
</tr>
<tr>
<td>Industrials</td>
<td>30%</td>
<td>68%</td>
<td></td>
</tr>
<tr>
<td>Energy &amp; Natural Resources</td>
<td>30%</td>
<td>67%</td>
<td></td>
</tr>
<tr>
<td>Healthcare</td>
<td>39%</td>
<td>57%</td>
<td></td>
</tr>
</tbody>
</table>

Survey Q. How long do you expect until the supply chain reaches the "new normal" after the Covid-19 crisis?
Note: Responses for Restaurant & Hospitality, Technology and Other not shown (N=26)
Source: DSCI / Bain survey on Supply chain industry resiliency (July 2020) N=200

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Respondents who anticipate longer-term recovery are feeling less confident about their plans for the future

Confidence in plans and execution to re-stabilize production and supply into “new normal”

% of respondents

- No plan moving forward
  - Rapid recovery (<6 months, N=56) 2%
  - Slower recovery (6+ months, N=134) 2%

- Significant uncertainties in execution
  - Rapid recovery (<6 months, N=56) 20%
  - Slower recovery (6+ months, N=134) 31%

  Confidence increase: +56%

- Some uncertainties in execution
  - Rapid recovery (<6 months, N=56) 45%
  - Slower recovery (6+ months, N=134) 50%

  Confidence decrease: -52%

- Specific plan & confident in path forward
  - Rapid recovery (<6 months, N=56) 36%
  - Slower recovery (6+ months, N=134) 17%

Survey Q. What best describes how you are thinking about the recovery as you re-stabilize production and supply into the "new normal"?

Source: DSCI / Bain survey on Supply chain industry resiliency (July 2020) N=200

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Respondents who anticipate slower recovery are differentially prioritizing investments in resilience

**For execs expecting Rapid recovery**
Supply chain investment objectives next 3 years

- **Reduce cost**: 54%
- **Flexibility**: 48%
- **Customer service**: 38%
- **Business continuity**: 32%
- **Embed digital / tech**: 27%
- **Decision making**: 20%
- **Increase resilience**: 20%
- **Supplier Collab**: 20%
- **Speed**: 18%
- **Enable new products/services**: 16%
- **Increase quality**: 7%
- **Community engagement**: 2%

**TOP 3**

**Rapid recovery** to "new normal" (N=56)

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**For execs expecting Slow recovery**
Supply chain investment objectives next 3 years

- **Flexibility**: 64%
- **Increase resilience**: 49%
- **Business continuity**: 34%
- **Embed digital / tech**: 32%
- **Supplier Collab**: 30%
- **Reduce cost**: 30%
- **Customer service**: 16%
- **Decision making**: 12%
- **Speed**: 11%
- **Increase quality**: 9%
- **Enable new products/services**: 8%
- **Community engagement**: 1%

**TOP 3**

**Slow recovery** to "new normal" (N=134)

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Survey Q. How long do you expect until the supply chain reaches the "new normal" after the Covid-19 crisis? Short term meaning 0-6 months, long term meaning 6-12+ month

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Implications

- Supply Chain executives should increase focus on customer satisfaction (New Customer happiness) as they re-tool operations.

- Companies should actively manage customer demand, use short planning horizons, and create scenarios for a range of possible changes in demand.

- Collaboration without data is impossible, so companies should create new data points beneficial to customers and suppliers.

- New location selection should create better value for customers and leverage appropriate technology (e.g. AI, 3D printing, automation) to offset labor cost issues.

- Supply chain executives should intensify efforts to develop and execute a supply chain strategy that segments customers, increases flexibility and operates efficiently.

- Flexibility and agility must be accomplished while balancing cost reduction goals; better customer visibility and enhanced use of AI and algorithms is required.

- Supplier visibility must be improved through collaboration with Tier 1 and Tier 2 and increased use of shared technology (e.g. Blockchain).

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