

# NICE 2021

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## Global Supply Chain Perspectives

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*A supply chain is the connected network of individuals, organizations, resources, activities and technologies involved in the manufacturing and sales of a product or service and starts with the procurement and delivery of raw materials from a supplier to a manufacturer and ends with the delivery of the final product or service to the end consumers.*

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### Company Supply Chains Basic View:

- Overall production costs and working determine where Companies locate
  - Quick supplier turn around on inventory replenishment allowing for companies to hold minimal inventory
  - Locations with Attractive, Stable, as well as, Predictable Trade and Tax policies
  - Good Transportation infrastructure, competitive rates, reliability and frequency
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Trade wars and global pandemic have caused companies in the US, Northeast Asia, Japan, China and Globally to adjust their supply chain strategies.

Supply chain disruptions are more and more frequent and can be caused by public health crisis (COVID-19), geopolitical events (US-China trade War), and climate & natural disasters.





## What Companies Are Doing:

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- Restructuring and rebalancing their supply chains
- Reduce dependency on any individual suppliers
- Decentralization of manufacturing to ensure having inventory when and where needed
- Increase inventories
- Establish production in other markets/countries (Fuyao, Toyota, BMW, etc.)
- Increased Localization to reduce dependency on imports

## What Countries and States are Doing:

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- Policies to bring production back to home country.  
(Japan's US\$2.3 billion subsidies for Japanese companies to move production from China back to Japan).
- Trade Tariffs to try to force companies to bring production home  
(US Trade war with China and others)
- Nationalist policies may appear rational, at that moment in time, but are not built on economic and basic business fundamentals
- Local/State/Prefecture/Provinces can be creative, innovative, progressive to attract businesses and give useful support to businesses to retain them and help them succeed

## Accelerated Trends:

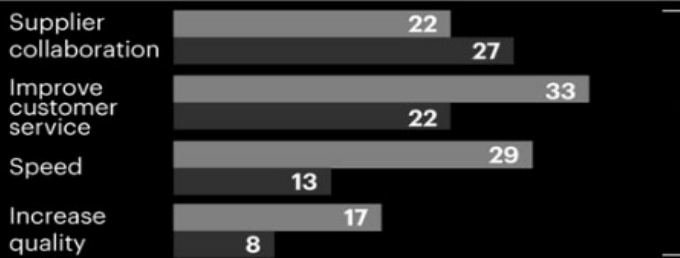
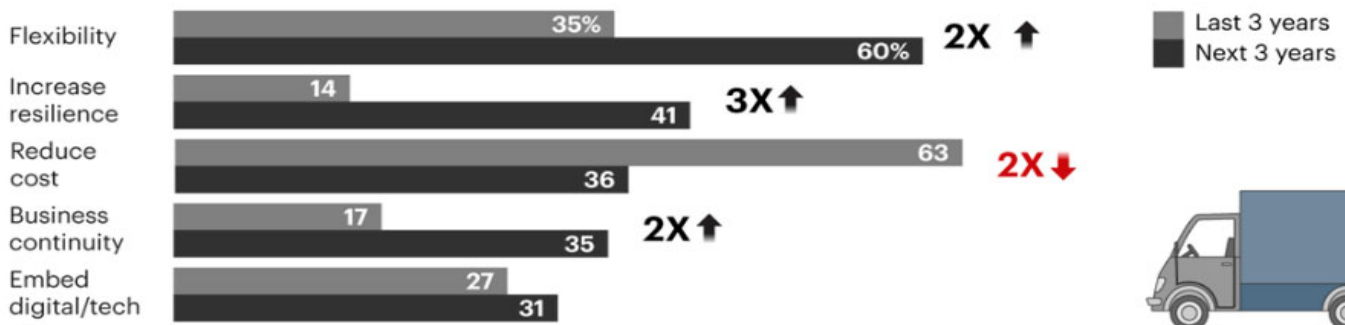
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Managing Supply chain risks and Increasing reliability:

- **Use of Technology...(IOT)**  
Real Time GPS for transportation tracking, Real Time warehouse sensors for inventory management, Real Time RFID, etc. at retail to track and monitor demand.
- **Blockchain- Wider adoption of blockchain**  
Blockchain allows data to be shared throughout the supply chain, end to end, with all involved parties.
- Decentralization of manufacturing capacity
- Bringing home production
- Establishing production in other countries (Fuyao)
- From minimal inventory to redundancy, although increased cost







## Supply chain investment goals shift to reduce disruption

Percentage of respondents choosing these supply chain investment goals



**Current focus has shifted away from customer-centric concerns**

Source: Bain & Company and Digital Supply Chain Institute Survey 2020 (N=200)

	 <b>Global electronics manufacturer</b>	 <b>Global computer maker</b>	 <b>Global automaker</b>
Disruption	Japan's Kumamoto earthquake (April 2016)	US–China trade war (2018 onwards)	Thailand floods (2011)
Impact	<b>16%</b> drop in revenue <b>66%</b> drop in net income	<b>15%</b> drop in share price <b>\$1B</b> lost market cap	<b>5%</b> reduction in global output <b>\$5B</b> lost sales
Recovery time	<b>1 year</b> 	<b>&lt; 3 months</b> 	<b>6 months</b> 

Sources: S&P Capital IQ; analyst reports; company reports; Reuters; Business Wire; Australian Institute of Food Safety; USDA Foreign Agricultural Service; BBC News; American Customer Satisfaction Index

## Change in Direction:

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- AI in supply chain and increased use of advanced analytics
- Robotics and automation (Drones for deliveries, driverless vehicles)
- Supply chain agility
- Flexible ecosystem of suppliers

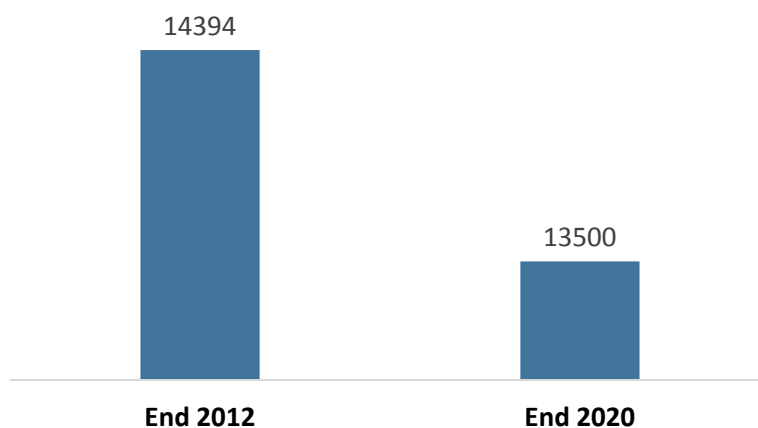
### **For example:**

- Toyota reduces risks by having one parts supplier produce 60% of their needs and two additional suppliers, in different geographical locations, each produce 20%.

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## Teioku Databank

### Japanese Firms in China



# Thank You!

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