

Understanding the impact of COVID-19 (Coronavirus)

As the business world learns to adapt with constant changes, the next chapter is being written. The impact of COVID-19 (Coronavirus) is affecting global supply chains, disrupting financial markets and the workings of day to day businesses.



Actions

0 – 4 weeks

- Understand key risks across operations and supply chain
- Mobilise teams to firstly navigate crisis response and secondly focus on supply chain assessment and risk management
- Ensure your governance is in place to rapidly make key decisions
- Conduct business and financial scenario planning for a quick recovery, a global slowdown and a global pandemic and recession

1 – 3 months

- Plan mitigating actions across operations and supply chain, assessing impacts on sea, air and land transport
- Ensure communications are made with principal customers and stakeholders
- Review and assess what impact this will have on workforce planning and management
- Review phasing impacts depending on your sector

4+ months

- Create an agile and visible global supply chain
- Understand and deploy digital and process automation to mitigate the impact of disruption.
- Develop and implement enhanced risk management practices

Observations

- Manufacturing closures in China
- Increasing public health requirements
- Suppliers invoking force majeure
- Additional border checks resulting in delays
- Congestion at seaports and airports, with busy sea routes from Asia to Europe being cancelled
- Reduced outbound capacity from China with increase in prices
- Labour shortages impacting productivity and land transport

Actions we are seeing clients undertake include: contingency planning and scenario modelling, operational and supply chain risk management, financial risk assessments, business resilience, and digital and supply chain transformation.

Checklist

Suppliers	<ul style="list-style-type: none"> – Do you know where your key suppliers are located? Do they have contingency plans in place to ensure the continuation of supply?
Physical logistics	<ul style="list-style-type: none"> – Do you know your supply routes? Have you spoken with your logistics providers to understand any potential impacts and how they propose to mitigate against them? – What are your contingency plans if routes are cancelled?
Contracts	<ul style="list-style-type: none"> – Have you reviewed your contracts with key customers and suppliers to understand liability in the event of supply shortages? – How will you respond if suppliers invoke force majeure clauses?
Inventory	<ul style="list-style-type: none"> – Have you assessed your inventory cover? Do you need to ring-fence inventory for particular customers in the case of shortages? – Do you have the ability to track shipments in real time and therefore manage customer expectations?
Customer loyalty and demand	<ul style="list-style-type: none"> – How will you set expectations with customers? How can you recover the experience in the future? – How well do you know your customers? Are you likely to lose customers to competitors/alternatives? – How will a drop in consumer demand impact your long-term growth plans?
Awareness & Communications	<ul style="list-style-type: none"> – Do you have a communications plan? – Have you communicated with the relevant customers, employees and suppliers?
Workforce availability	<ul style="list-style-type: none"> – How will you deal with the impact on your workforce? How can you ensure the safety of your employees whilst trying to maintain business as usual activities? – Have you assessed the cyber security and health and safety risks associated with employees working from home?
Technology and system resilience	<ul style="list-style-type: none"> – Have your 3rd party IT suppliers been impacted? Will this impact your SLAs and system support? – Does your workplace/communications technology allow you to reduce travel and enable remote working?
Commercial plans	<ul style="list-style-type: none"> – How will your change plans and programmes be impacted? Will project deadlines and investments need to be delayed? What impact does this have on your strategy?
Board governance	<ul style="list-style-type: none"> – If travel bans are enforced, how will this impact your board governance and the way you run your business? Do you have the technology in place to support remote working? – For legal coverage, have you identified how to document the additional requirements to meet commitments?
Cash flow	<ul style="list-style-type: none"> – Have you reviewed and revised cash flow, working capital management and inventory forecasts alongside supply and demand predictions?
Financial stability	<ul style="list-style-type: none"> – How will your financial stability be impacted from further stock market declines and restricted funding? – Will the completion of your financial statements be delayed? Is this likely to cause a delay to your audit opinions and therefore market communications?
Global trade and protectionism	<ul style="list-style-type: none"> – Are you aware of government mitigation plans which could impact your supply chain? – Do you have any domestic alternatives for suppliers?
Gov't & Public health requirements	<ul style="list-style-type: none"> – Do you have dedicated resource(s) reviewing public health requirements and other related Government announcements and ensuring that you stay compliant? – Have you assessed your responsibilities as an employer in relation to public health requirements for employees?
Sector disruption	<ul style="list-style-type: none"> – How will you maintain trust with your customers and assure them that your product/ service is still safe? – How will a drop in demand impact your cost base and profitability? – Are you aware of the phasing of impacts within your sector?



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