Today's international business environment is more fluid and complex than ever before. Huge shifts in international trade and currency, changing consumer demand and a volatile investment community have resulted in a continuous focus on cost: business executives are under increasing pressure to maximize return on assets while delivering growth. Keeping your business' supply chain under constant review is key.

Supply chain performance analysis: independent assessment of the efficiency of your end-to-end supply chain

Companies operating in multiple locations need to respond to regional variations in demand and risk, and assess their supply chain accordingly. Geographic concentration of suppliers, inefficiency through global fragmentation and increasing cost of transportation or raw materials all add different challenges and pressures to the supply chain.
Why consider a supply chain performance analysis?

If any of the following questions are on your business agenda, EY can help:

- How confident are you about the efficiency and cost effectiveness of your supply chain?
- Have market changes and expansion into emerging markets changed supply chain dynamics, and are you sure that your function is still fit for purpose?
- Are you over-reliant on one product type or market?
- Are your production levels, inventory holdings and sales forecasting efficiently linked?
- Do your competitors have better cash-to-cash metrics than you?
- Do you take advantage of the benefits offered by preferred suppliers?

How does the supply chain performance analysis work?

Through a four-stage process, we work with you to undertake a financial assessment, a performance comparison against competitors and examine the most significant key performance indicators (KPIs) for your supply chain. This is followed by a supply chain maturity assessment where, through structured questions of key stakeholders, we conduct a qualitative assessment, drawing on the knowledge of your internal teams. The final stage consists of a quantitative analysis, using EY custom-built tools, to investigate the performance of each part of your supply chain further.

Step 1

High-level financial analysis

We use this initial step to compare your company’s performance against immediate peers and provide a high-level context for the rest of the performance analysis. Using a mix of revenue, costs, profitability and working capital metrics based on your data, as well as competitors’ annual accounts, we will give you an overview of financial performance, year-on-year trends and comparisons with industry peers.
Step 2
Supply chain comparison

We will use comparisons based on similar industry or revenue bands to provide a detailed analysis of your key supply chain metrics and a suite of parameters with a range of responses split into top (TQ), median (Med) and bottom quartiles (BQ), with which your organization’s supply chain can be compared. This will start to pinpoint the areas within your supply chain that could benefit from improvement.

Total purchase value (spend, in thousands of US$) per procurement FTE

<table>
<thead>
<tr>
<th></th>
<th>BQ</th>
<th>Med</th>
<th>TQ</th>
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<tbody>
<tr>
<td>Value</td>
<td>1,277</td>
<td>1,941</td>
<td>3,595</td>
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Percentage of orders delivered on time

<table>
<thead>
<tr>
<th></th>
<th>BQ</th>
<th>Med</th>
<th>TQ</th>
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<tbody>
<tr>
<td>Percentage</td>
<td>80.0%</td>
<td>90.4%</td>
<td>95.0%</td>
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Step 3
Maturity analysis

We will use the results to identify areas of your supply chain that are significantly behind leading practice, where a large gap may exist between your current and desired future state, or to uncover conflicting views across the organization.

Step 4
Supply chain analytics

We will carry out further analyses to investigate the five dimensions of the end-to-end supply chain (buy, make, move, sell and inventory) in greater depth, highlighting your reliance on certain suppliers or customers. We will also do a geographical analysis of your supply chain and the performance of individual stock-line items.

Example output: inventory radar
EY’s supply chain performance analysis is an integrated assessment of procurement, manufacturing, logistics, sales and inventory management that helps evaluate performance and identify potential risks.

It provides transparency on the overall supply chain structure and its performance. In the short term, this will allow the identification of areas for further investigation and analysis, and understand and better manage immediate production and distribution risks. In the longer term, the analysis will help improve the competitiveness of your supply chain strategy.

We have streamlined the four-stage process to reduce the time you need to spend, while covering all the relevant issues rapidly. The methodology behind the supply chain performance analysis draws on the knowledge and experience of EY’s advisory practice and its work with hundreds of businesses worldwide.