EY India INSIGHTS

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COVER STORY

What it means to design an **AI-first workforce**

- Lessons in strategic diversification from auto components industry
- New framework for India's future healthcare needs
- How collaboration between commercial and supply chains can enhance operational efficiencies

EY

Shape the future with confidence

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Chairman and CEO, EY India

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EY India Insights is for the top echelon of leaders navigating global and technological disruption

FOREWORD

EY India has striven to be the trusted advisor to India's leaders who take critical decisions that will impact lives and businesses for decades. We have prided ourselves on helping the government conceptualize and operationalize major projects and CEOs with technology and business transformation of their organizations.

The EY India Insights – the first issue of which you are holding in your hands – is an endeavor to add one more tool to the armories of the leaders of the country. This publication will contain a carefully curated selection of the best thought leadership reports, based on deep research, by EY Partners in India as well as our global offices.

We have selected five pieces which we feel will provide genuine insights for the top echelon of leaders navigating their way through the waves of global and technological disruption taking place today. The first article addresses an issue on every leader's mind today – as organizations adopt AI in every process and function, how does one create an AI-first workforce where AI and humans work in perfect synchronization. This has become an imperative for organizations where humans and AI work in synchronization to succeed in the future.

Our second article in this issue points out why the Indian healthcare industry needs to go beyond just offering lower costs to measuring value based on quality and equity of treatment outcomes, and also how to do this. It highlights that our healthcare needs to move from the one-size-fits all approach to a cohorted, bespoke approach.

While diversification has always been a sound strategy for most manufacturing organizations that have achieved a certain scale and market share, it has become even more of an imperative in the era of geopolitical strife and technological revolution. Our story, through the lens of the automotive ancillary industry, examines why diversification needs to be strategic rather than opportunistic in this volatile environment and what are the leading practices that can make your diversification effort a success.

Our two global insight pieces also address themes that are important for all Indian leaders. The first looks at the future of nuclear energy and why standardization is the key from now on. With the government looking at opening up nuclear energy to the private sector, I believe this article is very relevant for India today when we are striving for energy security. The final piece highlights how all companies, and particularly consumer product firms, can see great gains in commercial and supply chain efficiency by adopting an integrated approach to portfolio and supply chain management, an absolute imperative in the era of supply chain disruptions.

I hope you will enjoy reading the pieces – and more importantly find them useful in taking critical decisions.

Rajiv Memani
Chairman and CEO, EY India

In the AI era, traditional workforce structures must change. An **AI-first organization** has fundamentally redesigned roles and responsibilities for AI and humans.

Content

GLOBAL INSIGHTS

Designing an AI-first workforce at the modern enterprise

Hari Balaji
Partner, Technology Consulting,
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The rise of AI "co-workers" heralds an infinite digital workforce capable of working 24/7, transforming how we think about teams and productivity

AI-enabled to AI-first requires redesigning structures by integrating AI into main workflows and reshaping roles for human-AI collaboration. As AI absorbs routine entry-level work, a 'diamond' workforce is emerging—leaner base, broader mid-skill roles

As organizations adopt AI, leaders must balance speed with depth, efficiency with equity, and innovation with control

CEOs must ensure that human judgment remains central to decision-making processes, fostering a culture of trust and ethical governance around AI use

The steam engine rewired factories. Electricity redefined speed. The internet collapsed distance. Now AI stands as the next great catalyst, not just shifting how we work, but challenging what work even means. The workplace is at an inflection point—long-held assumptions about talent, delivery, and growth are being redefined.

For Indian CEOs, AI has moved from a key tech trend to a leadership stress test. The rise of Agentic AI now challenges their vision, agility, and boldness—decisions made today will decide whether they ride the AI wave or are swept aside by it.

An earlier EY report, The AIdea of India: 2025 – How much productivity can GenAI unlock in India?, analyzed 10,000 tasks across industries and found 24% can be fully automated and 42% significantly optimized through GenAI, potentially freeing 8–10 hours per employee weekly. At scale, this creates an 'infinite workforce capacity,' amplifying output and speeding AI-first execution. Designing an AI-first workforce is now a boardroom priority to stay competitive, drive non-linear growth and future-proof the enterprise. CEOs are executing AI-first strategies.

From AI-enabled to AI-first: Rethinking what "AI-first" means

Many organizations have dabbled in AI pilots or added AI tools to assist specific tasks. That is being AI-enabled. Being AI-first is a deeper transformation. It means re-architecting the business and workforce around AI from the ground up and not just layering up on the legacy structures. An AI-first workforce does not just use AI; it collaborates with AI by design, across every level and function. In an AI-enabled firm, the organization may deploy a few chatbots or analytics dashboards to support employees. But in an AI-first firm, AI is embedded in core workflows, and every role is

Envisioning the AI-first workforce across industries

Redefining collaboration: AI handles repetitive, data-heavy tasks while humans focus on creativity and judgment.

Industry transformation: From tech to banking, AI copilots and advisors enhance precision and efficiency.

Next-generation operations: Manufacturing, retail, healthcare and others integrate AI-driven automation with human oversight and empathy.

Evolving roles: New positions like AI ethicists and human-AI facilitators emerge as the workforce becomes adaptive.

reimagined to maximize human-AI synergy. Tasks and jobs are redesigned through an AI-first lens, asking, "How can AI do this, augment this or amplify this?"

Employees become adept AI orchestrators, focusing on what humans do best (judgment, creativity, relationships) and delegating the rest to machines. For example, a marketing team in an AI-first enterprise might have AI agents generating first drafts of campaigns, analyzing customer data and autonomously optimizing ad spend, while human marketers focus on creative strategy and client engagement.

Being AI-first also demands a culture shift. Rather than fearing AI or treating it as a mere tool, employees and AI agents are regarded as collaborators. This could entail training staff to work effectively with AI (e.g., prompt engineering, AI oversight) and instilling trust in AI-generated insights alongside healthy skepticism. In sum, AI-first means rethinking the very architecture of work, so that human + AI teams are the default and every process is designed to leverage AI's strengths and human judgment together.

AI agents are transforming from tools to teammates, autonomously executing tasks. This outpaces legacy management practices

Cracks in the traditional workforce model: From pyramid to diamond

AI is steadily taking over transactional, rules-based tasks at the base of the pyramid. In India's tech services sector, firms have already consolidated 20%–25% of entry-level roles through intelligent automation and AI augmentation[1&2].Instead of hiring many fresh graduates to do routine work, some leading companies are slowing fresher hiring and instead upskilling their existing talent for higher-value roles. One leading IT services firm, for instance, reduced entry-level hiring by nearly 30% and increased mid-career hiring by 20%[3] (for new roles in AI validation, orchestration, etc.), reshaping its workforce into a more "diamond" shape – leaner at the bottom, broader in the middle.

This marks a radical shift. Growth is no longer tethered to hiring curves as it used to be. Revenue can grow without a linear increase in headcount, thanks to AI enabling non-linear productivity. This is also a wake-up call that the old equations (more people = more output) no longer hold.

Hybrid pod dynamics

Human–AI collaboration

Combines human knowledge with AI agents for shared task execution

Autonomous intelligence

AI handles tasks independently with minimal human input

Human oversight

Humans provide context and judgment on AI-generated outputs

Agile structure

Teams operate dynamically, beyond rigid hierarchies or departmental silos

1. https://www.cnbc.com/2025/08/04/indias-it-layoffs-spark-fears-ai-is-hurting-jobs-in-critical-sector.html
2. https://economictimes.indiatimes.com/jobs/fresher/ais-quiet-takeover-why-freshers-are-missing-in-it-hiring
3. EY analysis

The nature of teams and management is changing as well. Work is increasingly done in 'hybrid pods' of humans + AI agents, rather than traditional departmental silos or big hierarchical teams. In these pods, AI agents might handle analysis, first drafts or routine decisions, while humans provide oversight, domain expertise and final judgment. AI agents are transforming from tools to teammates, taking on autonomy in executing tasks and even making recommendations. But this outpaces legacy management practices. How to manage performance when half the "team members" are digital bots? How to structure reporting lines or accountability in a human-AI collaborative unit?

Another crack in the old model is the collapse of the traditional career ladder. Long tenures may not guarantee advancement. Junior employees can quickly jump into high-impact roles by mastering new skills—like a self-taught AI specialist with three years leading critical projects while 20-year veterans struggle to adapt. An EY study notes that "The linear career path is broken… career progression looks more like a lattice – fluid, skill-led, nonlinear. Skill density, not seniority, becomes the new currency." Roles are getting disaggregated and reassembled; some mid-management layers are being hollowed out or repurposed as AI takes over coordination work.

The upside is a democratization of opportunity for those who upskill rapidly, but it also creates organizational challenges in mentorship and talent development. After all, if AI handles all the grunt work, who is building judgment? Those in early stages of their career risk missing out on the foundational experiences that build intuition and expertise. The speed-vs-depth dilemma is one of the key tensions business leaders must address (more on this later).

In summary, the familiar pyramid is morphing into new shapes. Some organizations may end up with a diamond structure, others might adopt a "T-shape" with a common pool of specialists and very few managers. We are even seeing the rise of blended workforce models–a mix of full-time employees, gig workers and AI-powered "digital workers," all contributing side by side. The social contract between employer and employee is being rewritten in real time. In India, early signals of this shift are evident: in some cases, fresher hiring is slowing not due to lack of business, but because entry-level work is evaporating as AI fills the gap.

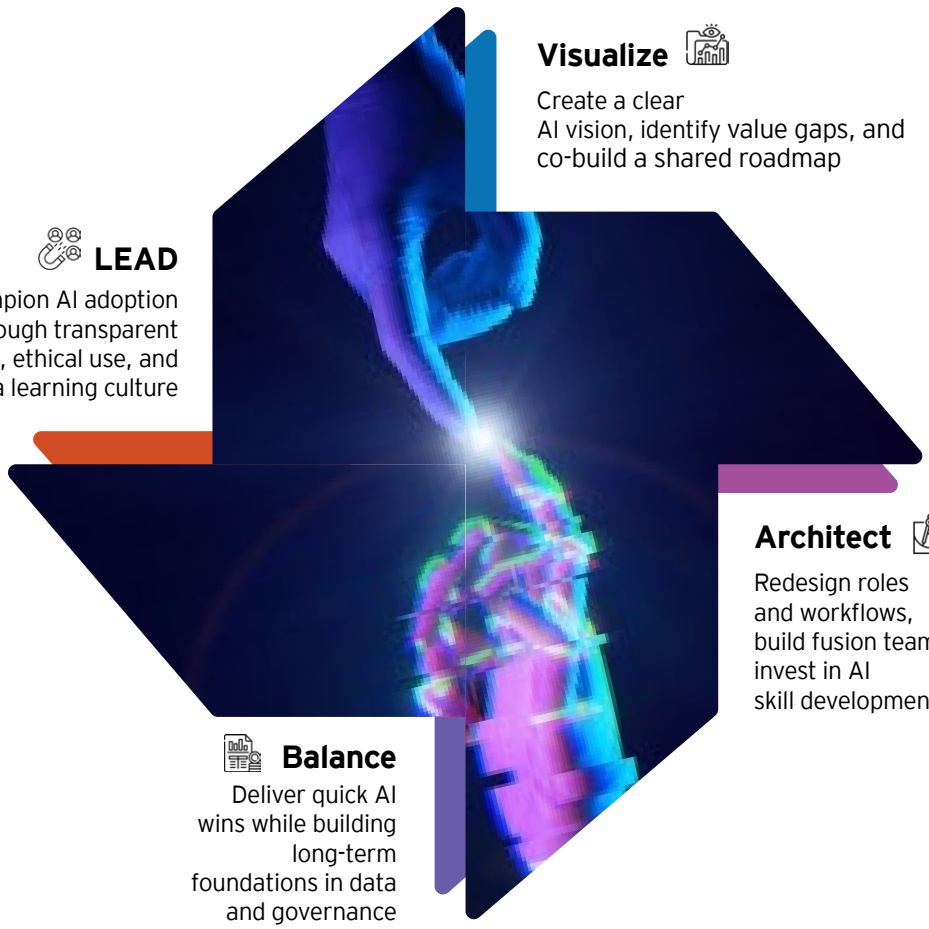
Envisioning the AI-first workforce across industries

An AI-first workforce is not about replacing humans; it is about amplifying them with an "infinite" layer of AI agents. Across industries, AI takes on repetitive, data-heavy tasks while humans focus on judgment, creativity and relationships. This shift is already visible: technology firms are moving to lean human + AI pods where engineers work with AI copilots for coding and testing, and AI project managers handle tracking and risk alerts. In banking, AI tellers and advisors manage routine queries and compliance checks, freeing human bankers to deliver personalized advice and build trust.

Manufacturing and supply chains are evolving toward lights-out factories where robots run production and AI optimizes logistics, leaving humans to oversee exceptions and design processes. Retail blends smart stores and e-commerce automation with human roles as brand ambassadors. Healthcare and pharmaceuticals see AI triage agents, diagnostic copilots, surgical robotics, and AI-driven drug discovery, enabling clinicians and researchers to focus on complex decisions rather than routine tasks.

The AI-first workforce is fluid and adaptive. New roles such as AI ethicists and human-AI facilitators will rise as routine jobs fade. The future is not human or AI; it is humans and AI working together. Companies that thrive will answer three critical questions for every role: What is uniquely human? What is best for AI? And how do they collaborate? Those answers can define the winners in the AI-first era.

AI-first workforce transformation model



Visualize

Create a clear AI vision, identify value gaps, and co-build a shared roadmap

LEAD

Champion AI adoption through transparent leadership, ethical use, and a learning culture

Architect

Redesign roles and workflows, build fusion teams, and invest in AI skill development

Balance

Deliver quick AI wins while building long-term foundations in data and governance

Navigating key tensions in the human–AI workplace

As CEOs lead the shift to an AI-first workforce, they face a series of balancing acts that will define success. The first is scale versus judgment. AI can automate decisions at incredible speed and scale, but wisdom cannot be automated. When algorithms drive hiring or lending unchecked, bias can spread faster than ever. Leaders must pair AI's efficiency with human discernment, backed by strong governance and override mechanisms. Scaling technology should not mean sidelining human judgment.

The second tension is speed versus depth. AI can accelerate everything, product launches, customer responses, analytics, but speed can also erode craft. If new managers lean entirely on AI guidance, they risk becoming faster while losing depth. CEOs need to design roles that preserve deep expertise and creative thinking. That means rotating employees through hands-on experiences, encouraging reflection, and keeping some "slow" processes that build mastery. AI could handle the drudgery at speed, while humans focus on high-value deep work.

Finally, efficiency versus equity and innovation versus control. AI boosts productivity, but job displacement and digital divides can damage trust, especially in young workforces. Visionary leaders invest in reskilling and share AI gains with employees, not just shareholders. At the same time, AI unlocks bold innovation but without guardrails, autonomy can spiral into risk.

The answer is clear: governance, human-in-the-loop checkpoints, and a culture where AI outputs are trusted but verified. The goal is not to choose between these tensions, but to navigate them with purpose, building workplaces where humans and AI elevate each other.

Navigating tensions in the human-AI workplace

Scale vs. judgment

Pair AI's automation speed with human discernment and governance to avoid bias

Speed vs. depth

Maintain craftsmanship and deep expertise while allowing AI to handle routine work

Efficiency vs. equity

Balance productivity gains with fair opportunities through reskilling and shared AI benefits

Innovation vs. control

Transformative creativity within proper limits to mitigate risks

A four-point model for AI-first workforce transformation

Designing and leading an AI-first workforce is a complex journey. It requires a structured transformation model. Here is a practical four-point framework for CEOs:

Visualize

Start with a compelling vision. Explain why AI is central to growth and show how it will reshape the operating model. Identify where value is trapped today and how AI can unlock it. Engage leaders and employees in co-creating the roadmap so it feels shared. Set near-term wins and long-term goals, and communicate relentlessly so AI becomes core strategy, not a side project.

Architect

Turn vision into design. Redefine roles and workflows to decide what AI automates, what humans lead with AI support, and what new tasks emerge. Update job descriptions, create hybrid roles, and form fusion teams that blend business and tech expertise. Invest in reskilling and hiring for critical AI skills. Architecting change deliberately ensures alignment with business goals.

Balance

Run at two speeds. Capture quick wins like AI chatbots and supply chain optimization while building long-term foundations such as data platforms and governance. Celebrate early successes but protect strategic investments from short-term pressures. Balance buying tools with building internal expertise. The goal is simple: win today while preparing for tomorrow.

Lead

Culture and leadership make or break this journey. CEOs must lead from the front, using AI visibly and fostering a learning mindset. Address fears around job security through transparency and inclusion. Embed ethics and governance with clear boundaries on automation and fairness. Model curiosity and boldness, normalize experimentation, and keep humans at the center. Winning with AI is about trust as much as technology.

Shaping the future, boldly and responsibly

Designing an AI-first workforce is both an opportunity and a responsibility. It promises a scalable, hyper-productive organization but only if leaders value human potential as much as technological power.

As a CEO, ask: Will AI make your organization faster, but narrower or smarter and more human? The answer lies in how one leads this transformation. Done right, AI will boost creativity, inclusivity and value.

The AI revolution is moving fast. Indian enterprises can leapfrog into global benchmarks in human-AI collaboration by prioritizing an AI-first workforce. This is an opportunity to re-architect work itself. Leading with clarity, courage and compassion can deliver not only superior outcomes but also shape a future of work that is creative, inclusive, and deeply human by design.

Why strategic diversification has become an imperative:

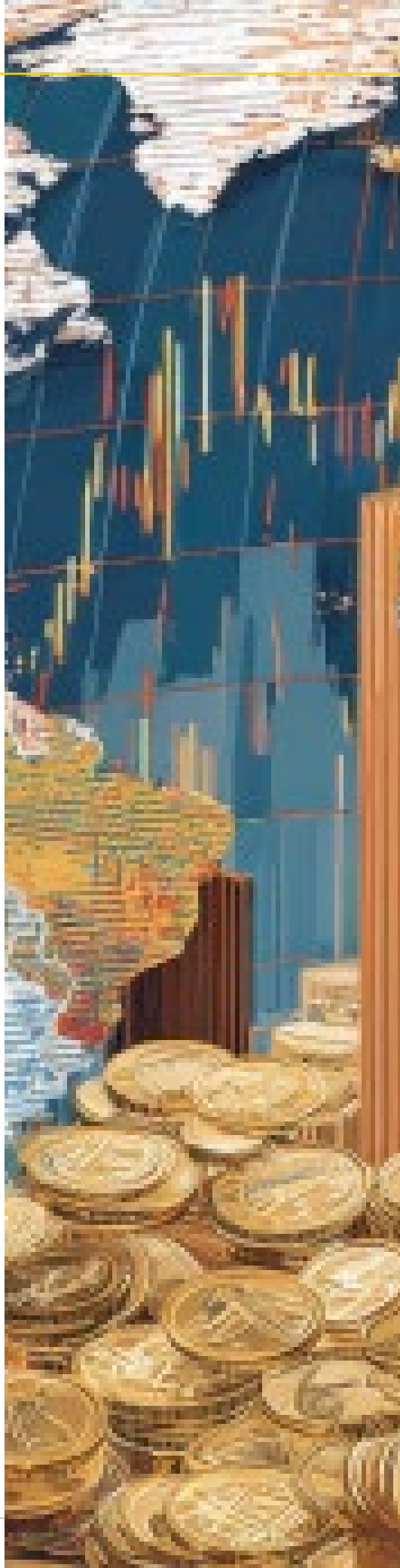
Lessons from the automobile ancillary industry

Som Kapoor
Automotive, Future of Mobility Leader – Consulting, Partner, EY India

The automobile and automobile components industry is dealing with rapid technological and global policy changes

Strategic diversification can help in improving revenue growth, leading to higher profitability and making companies more resilient

However, diversification can be risky. Following leading practices can help improve the chances of success



The global automotive industry has evolved quite dramatically over the years. The earliest "cars" were powered by steam, and later by electric batteries, and modelled on horse drawn carriages – except that they dispensed with the horse. Later came the fossil fuel powered primitive engines that needed to be hand cranked to get going. Mass produced and fossil fuel powered cars dominated for the next many decades before advances in battery chemistry brought in Li-Ion electric vehicles. The center of gravity of the global automotive industry has also shifted from time to time, in tune with technological changes and globalization of factories.

But probably none of the changes of the past century or more have been quite as dramatic as the ones that the automotive industry has been experiencing over the past two decades.

Technology revolutions and global policy shifts are forcing traditional automobile manufacturers to fight for survival. From being a product-led sector focused on hardware, the industry has evolved into a complex network of technologies, software-defined vehicles, services and ecosystems.

The seismic changes experienced by two- and four-wheeler manufacturers are amplified in the automotive components industry. Every change implemented or required by the car, motorcycle or heavy vehicle manufacturer affects the operations and future of auto component suppliers.

Key milestones

Early phase (pre 1991)

1950s-60s: Local manufacturing gathers pace; import-dependency present
1970s-80s: Protectionist policies; limited competition

National Economic Policy 1991

1991: Economic reforms open markets to FDI and global players
1993: Auto Policy encourages collaborations
1997: Tier-wise supplier ecosystem emerges

Rapid growth (2000-2010)

2002: Automotive Mission Plan boosts investments
2006: India becomes a hub for low-cost, high-quality components
2008-09: Global financial crisis slows exports briefly

Maturity and challenges (2010-2020)

2015: "Make in India" pushes local manufacturing accompanied by other government policies
2018: BS-VI norms and tech driven upgrades
2020: Production drops 30% owing to COVID-19 supply chain disruption

Recovery and EV shift (2020-Present)

2021: PLI (Production-Linked Incentive) scheme
2023: Surge in new energy vehicles component demand
2025: Sector turnover reached INR6.73 lakh crore (~US$80.2b) in FY25; doubling since FY20 at 14% CAGR

Global auto component suppliers, once known for making specific products, are now suppliers of integrated modules that combine electronics, software and mechanical parts. The supply chain has globalized, and value has steadily shifted from metal and mechanics to intelligence and energy.

While the Indian auto components industry has a modest 3% share (approximately US$20 billion) of the US$700[1] billion global trade in auto components, it is one of the success stories as also an important sub-sector within the Indian manufacturing sector. It has expanded dramatically since the economic liberalization of India, which started in the early 1990s, growing in scale, sophistication and global branding.

The entry of international OEMs into the Indian market and their demands have seen Indian suppliers invest in new capabilities, scaling up their operations, and embracing global quality standards and practices. Several domestic firms have transitioned from being single-product vendors to multi-product, multi-customer businesses. This transition was not just about growth; it was about competing with global players.

Why diversification is now a strategic imperative

Diversification has played a quiet but critical role in the journey of OEMs. Companies that once relied on a single customer or product line began expanding their offerings—first into adjacent categories and later into entirely new verticals. This approach helped reduce concentration risk, improve asset utilization and build resilience. It also became a pathway into global markets, as diversified players could offer more integrated solutions to OEMs looking to consolidate their supply chain.

While branching into adjacent areas in products is not a new concept in the auto industry, the new technology and global policy shifts are making diversification a strategic imperative. The auto industry is undergoing a fundamental reset. The move from internal combustion to new energy powertrains, the rise of connected and autonomous vehicles, and the growing focus on lightweighting and emissions are all reshaping the component landscape. Many legacy product lines face long-term obsolescence, while others are being commoditized or replaced by software-driven alternatives. The industry faces a pivotal moment – it must evolve and diversify to remain competitive.

For auto component manufacturers, this creates both a challenge and an opportunity. Those with narrow product portfolios risk being left behind. Conversely, those with the foresight to diversify—into electrification, electronics, clean technologies, or adjacent industries—are better placed to navigate the future.

The global move towards electric vehicles alone may generate a US$300[2] billion domestic market for EV batteries in India by 2030—representing a massive new value pool for suppliers willing to pivot. EV adoption in India is also accelerating at pace—E2W penetration has risen from just 0.1% in FY20 to 6.2% in FY25, while E3W adoption has surged from 7.5% in FY23 to 22.6% in FY25.[3]

1. "Automotive Industry: Powering India's Participation in Global Value Chains", Niti Aayog, April 2025
2. "Auto Components", IBEF (India Brand Equity Foundation) report, May 2025
3. VAHAN Portal Data, Ministry of Road Transport & Highways, multiple years

While technology shifts and global policy changes are big drivers, it would be wrong to think that they are the only reasons that have made diversification a strategic imperative. Supply chain risks, customer concentration and margins are other big factors in making diversification a no-brainer.

Many auto component firms saw the writing on the wall fairly early and started investing beyond core mechanical systems to build expertise in new domains such as embedded software, battery systems, thermal management and SaaS to name a few. This shift is not just technological; it reflects a broader industry truth: resilience comes from diversification. Companies with exposure to multiple markets, technologies and customer segments are more likely to survive as the industry goes through tumultuous times.

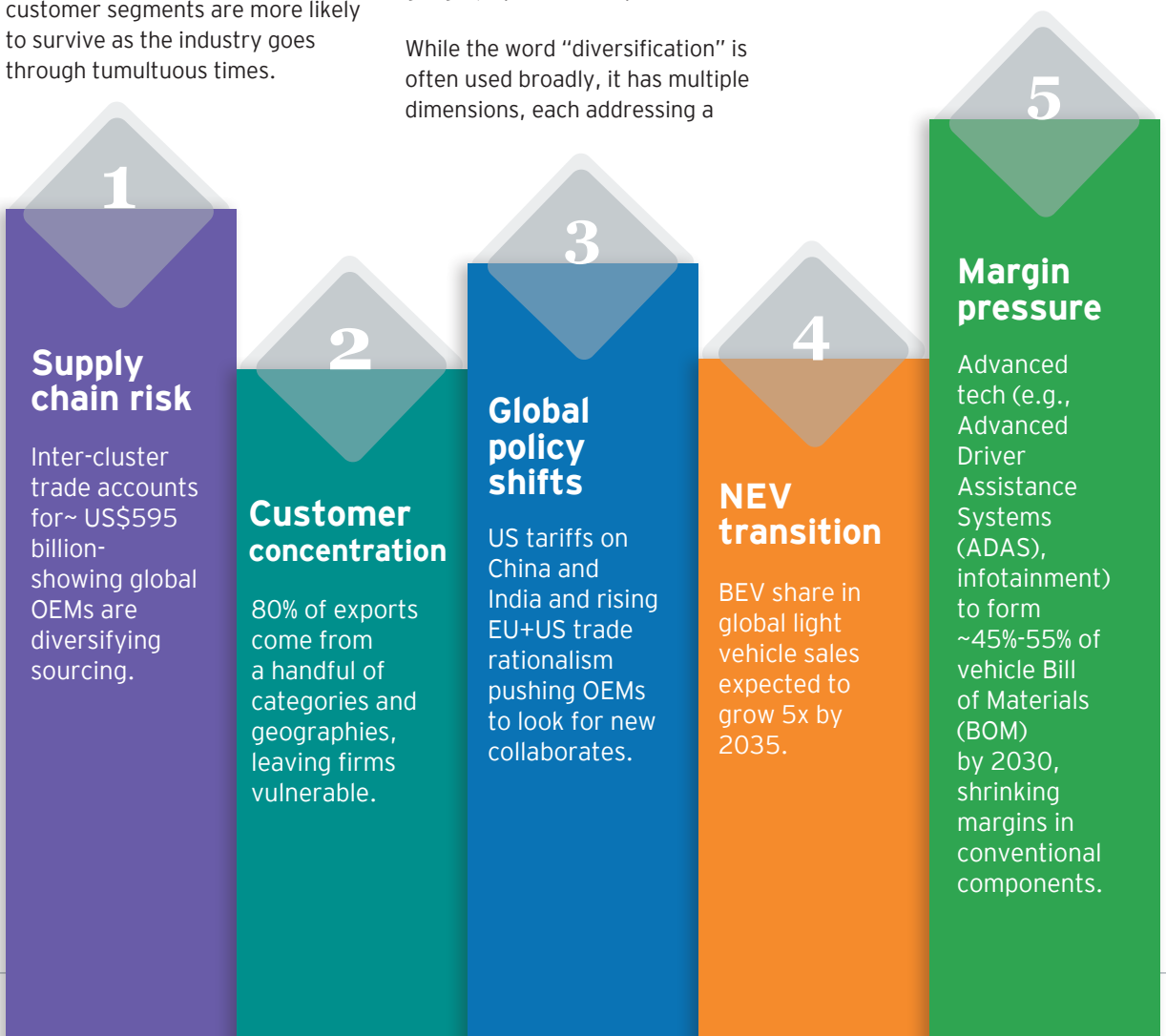
Understanding the dimensions of diversification

It is important to understand that strategic diversification to reduce risk and build resilience is quite different from opportunistic diversification. It requires a clear understanding of the global environment, risks and changes, as well as a vision for the future.

For auto component manufacturers, it means reducing dependence on a single capability, product, customer or market, no matter how profitable it is, and deliberate investments in new areas – either technology or geography, and ideally both.

While the word "diversification" is often used broadly, it has multiple dimensions, each addressing a different source of vulnerability or risk. A company may be highly diversified in one area while being a specialist in another.

We considered five core types of diversification: capability, powertrain, geographical, industry and customer or channel. These types are not mutually exclusive and companies often progress through more than one dimension. However, they should be viewed separately, as each dimension reduces a specific kind of business risk.



Different diversification strategies

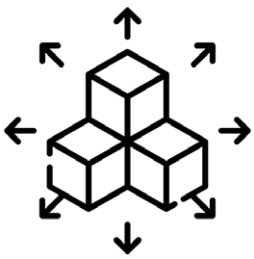
Capability-led diversification

Powertrain-led diversification

Geography-led diversification

Industry-led diversification

Customer or channels-led diversification



Capability-led diversification

essentially means the variety of technical competencies or production technologies a company possesses. If all of a company's products rely on the same underlying process, material or structure, it is considered a specialist in terms of capability. For example, a manufacturer focused on aluminum die casting for engine housings, chassis brackets, and transmission covers may have a wide product catalog, but all of it is tied to one core manufacturing skill. This firm faces high exposure if casting-based components witness a structural decline.

In contrast, another firm that started with HVAC systems and expanded into plastic molding, electronic control units and sensor integration building capabilities in multiple domains. Even if one capability becomes obsolete, others may continue to remain relevant.

Capability diversification protects from the risk of obsolescence when technology shifts take place.

Geography-led diversification

is a very different strategy though it may not protect against technology risks. It helps reduce dependence on any one country or region. Auto component companies often start by serving domestic OEMs, but as supply chains have globalized, many have entered international markets. For instance, a suspension systems supplier that operates solely in India may be vulnerable to domestic demand cycles, policy shifts, or currency fluctuations.

Industry-led diversification

involves applying core competencies to sectors beyond automotive. For many component manufacturers, this can be a natural next step. A firm that produces driveline assemblies for passenger vehicles may find similar demand in the tractor segment, defense vehicles or railway segment. One major domestic supplier of high-strength fasteners that initially served only automotive customers later expanded to serve railway and construction equipment manufacturers. The business was able to navigate multiple sector cycles and improve the utilization of its production assets. Industry diversification reduces sector concentration risk and creates new growth opportunities during slower periods in the automotive market.

Other types of diversification deal with customers and channels. Many component manufacturers rely on a few OEMs or tier-1 customers for the bulk of their business, which creates exposure to pricing pressure, contract renegotiations, and order volatility. One firm supplying dashboards and interior panels faced this challenge until it began developing direct-to-customer (D2C) aftermarket kits. It also onboarded fleet operators and logistics players with ready-fit cabin upgrade solutions. These new channels provided better margin control and a more balanced order book.

	Specialist company	Diversified company
Capability	Casting across multiple parts	HVAC + thermal electronics + plastic moulding
Powertrain	Exhaust system supplier	Exhaust and battery thermal management system supplier
Geography	Domestic-only suspension supplier	Wiring harness player in India, SE Asia, Middle East
Industry	Fasteners for passenger vehicles	Fasteners for auto, rail, construction equipment
Customer/Channel	Supplies only to two OEMs	Mix of OEM, fleet, and D2C aftermarket

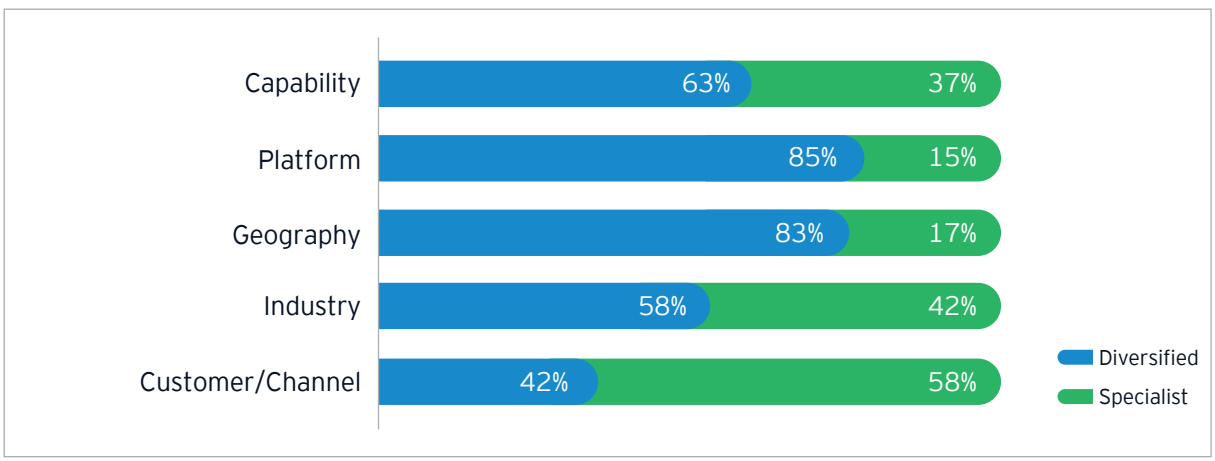
Each type of diversification mitigates a specific business risk. However, the best strategy may be to straddle different diversification types without straining resources or spreading the operations too thin.

Better revenues, better margins

An EY study[4] tracking multiple auto component studies found that those who diversified typically gained in terms of faster revenue growth and better profit margins, though the size of the gains were different depending on the specific diversification strategy being followed.

EY tracked 52 companies spanning small (27%), medium (38%), and large enterprises (35%) between 2018 and 2024, looking at their diversification strategies (or the absence of one) and their revenues, profits and ROCE. Of the sample dataset, in terms of diversification classification, 50% were specialist and 50% were diversified.

Sample dataset by dimensions of diversification[4]



4. EY report 'Strategic diversification: Unlocking new revenue horizons for automotive leaders'

We find that companies that adopt capability and powertrain diversification are most closely associated with faster topline growth, while geographic, industry and customer diversification tend to offer more stability by reducing exposure to external shocks.

Profitability outcomes also skew in favor of diversified firms, which show stronger margins and significantly lower volatility—especially evident during disruptive periods like COVID-19. One of the most striking patterns is the underperformance of large specialist firms, which face greater downside risks when competing with diversified peers at scale. This highlights that size alone is not a buffer—diversification becomes increasingly important as firms grow.

The analysis reinforces the point that diversification is not just a defensive strategy, but a critical enabler of sustained performance and long-term competitiveness.

Unlike capability and powertrain diversification strategies, the firms that are diversified by geography, industry or customer or channel tend to post slightly lower sales growth than their specialist counterparts—though with greater consistency. The dip in sales growth is partly attributed to the complexities involved in adding new markets, channels and customer groups to the business mix. These changes require time to navigate and post results. However, geographical diversification offers a natural hedge against volatility, helping firms smooth demand shocks and maintain predictable revenue flows, particularly in an environment marked by supply chain fluctuations and uneven end-market recovery.

From a profitability lens, diversified companies appear to have an edge. On average, these firms report slightly higher net profit margins (6%) than their specialist counterparts (5.5%),[4] suggesting that a more balanced business mix may help in achieving better operational efficiency and cost control across cycles.

In the case of Return on Capital Employed, while our research shows that both diversified and specialist companies have broadly similar ROCE, the diversified companies show greater stability.

It is important to understand that strategic diversification to reduce risk and build resilience is quite different from opportunistic diversification. It requires a clear understanding of the global environment, risks and changes, as well as a vision for the future

Average net profit margins[4]

4. EY report 'Strategic diversification: Unlocking new revenue horizons for automotive leaders'

Leading practices to diversify effectively

Diversification done well can bring many rewards, as we have seen. But diversification is not an easy process and there are many risks in adopting the wrong diversification strategy or simply executing the diversification strategy badly.

Done reactively, diversification can fragment a company's resources and dilute focus. Done strategically, it becomes a source of resilience, margin stability, and sustained growth. For boards, promoters, and CXOs, the path forward lies in structured, capability-led diversification.

So, what is the right way to diversify? We pick out five principles that help in proper execution of diversification strategies.

Start with capability, not trend

Diversification works best when it extends what a company already does well. New businesses should be rooted in core engineering, manufacturing or material strengths—not just with market momentum.

Map risk, then spread exposure

The objective is not to do more—it is to reduce exposure. Leadership must first identify where their current risk lies: Is it product concentration? Customer dependency? Geographic exposure? Diversification should directly address those vulnerabilities.

Test, learn, then scale

Not every diversification bet will work. Pilots, technical partnerships or JV-led entries can help validate markets without large up-front investments. Treat diversification like R&D—experimental, data-led and iterative.

Invest in systems, not just markets

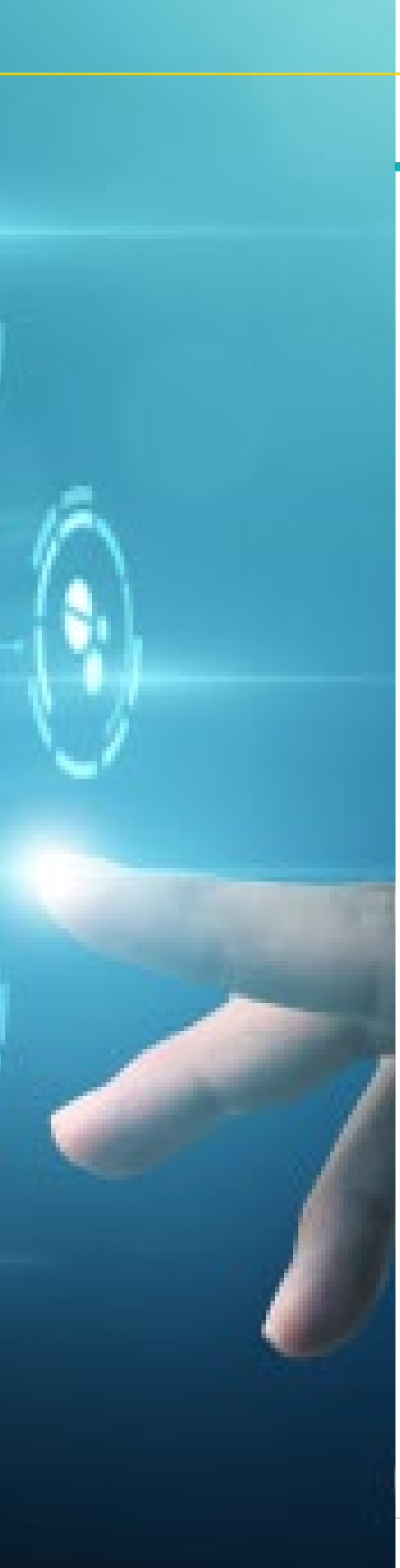
More product lines or regions mean more decisions. Companies that succeed at diversification have strong internal systems: cross-functional teams, clear governance and flexible supply chains. Operational maturity often determines whether diversification scales or stalls.

Let strategy also lead, not just opportunity

Diversification should serve the long-term vision. Chasing short-term demand blurs focus. Strategic discipline—in timing, target market, and execution—makes the difference between value creation and distraction.

The future belongs to suppliers who are not just efficient, but resilient. Not just capable, but adaptable. Diversification, when done with clarity and discipline, becomes the bridge to this future. It ensures that companies are not locked into a single market, a single customer or a single trajectory. It builds room to maneuver—and room to lead.

With inputs by **Aneesh Ajayan, Amit Punjani, Pratyush Chandra Parki, Varun Khattar, Harshit Rastogi, Shaurya Munjal and Sujan Karegoudar**



Rebalancing growth, value and outcomes in India's healthcare

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While India has delivered on 'frugal' healthcare, value will have to be measured by quality and equity of outcomes as well

Prevention, early detection and continuous care can reduce projected hospitalizations by 20%–30% and contain expenditure closer to 5% of GDP

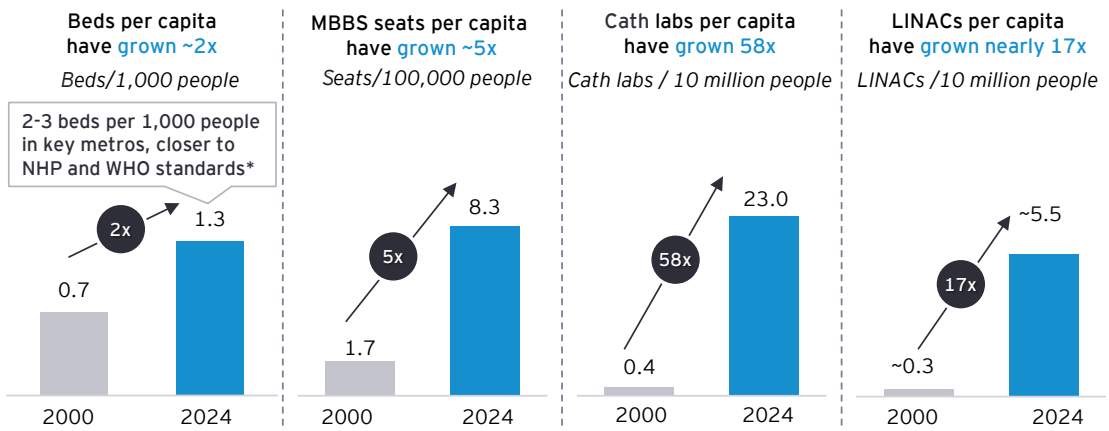
A scientific, grading model that is differentiated by quality and capability can incentivize better outcomes and strengthen patient trust

Standardized quality and grading frameworks, clinical outcomes reporting, digital and data infrastructure and new payer-provider models represent growth avenues across the healthcare ecosystem

With additional insights from EY-Parthenon healthcare team: Ashish Nanda, Muralidharan Nair, Ankur Dhandharia, Srimayee Chakraborty, Akshay Ravi and Tara Ravi

India's healthcare system stands at a pivotal moment in its history. Over the past two decades, the nation has achieved remarkable progress, expanding hospital capacity, improving access and delivering care at a fraction of global costs. Healthcare as a sector has also drawn significant PE investments of US$15 billion over the last five years[1], representing over 8%–9% of the total PE investments made in India in the last two years, up from 2% in 2018[2].

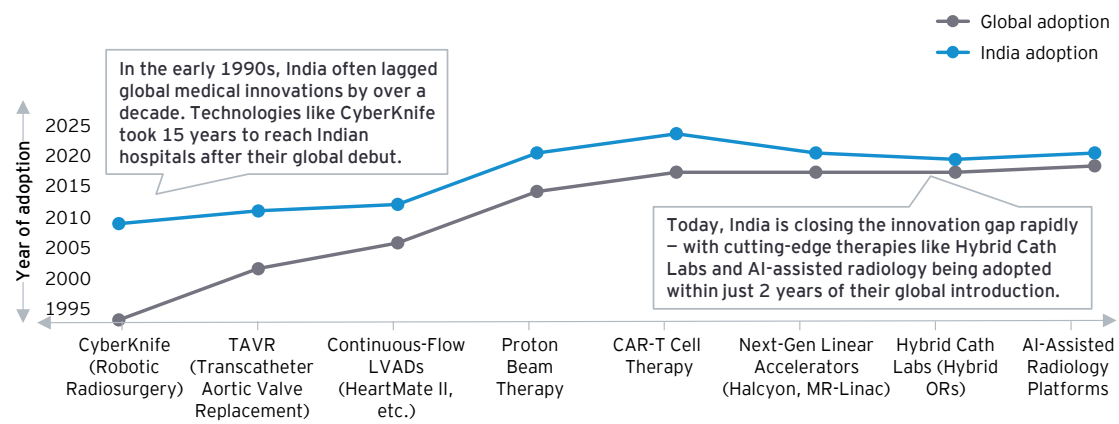
Figure 1: India's healthcare capacity has expanded over the last two decades



Source: EY-Parthenon analysis; National Health Policy 2005, 2018; World Bank 2025; World Health Organization 2024, National Health Policy 2017; Ministry of Health and Welfare- Health Intelligence Report 2001, 2025; World Health Organization, Press Information Bureau 2024; Atomic Energy Regulatory Board, 2024; Radiotherapy centers licensed by AERB, Times of India 2022, Analysis of Radiotherapy Machine Requirements in India: Impact of the Pandemic and Regional Disparities.

Cath labs: Cardiac Catheterization labs, LINAC: Linear accelerator; *NHP targets 2 beds/1000 people, 3 beds/1000 people recommended by WHO

Figure 2: Reducing time to adoption gap, India vs. Global



Source: Stanford University, Cribier et al., American Heart Association; Varian, Ministry of Science & Technology; HCG; Apollo Hospitals, etc., compiled press announcements by first movers

1. https://www.youtube.com/watch?v=9HnXHIjIQbs
2. Private Circle Deal Flow 2020-2025; Trackr PE Investments database 2020-2025

Yet, as India aspires to the vision of "Viksit Bharat," the challenges ahead are more complex, urgent and multidimensional than ever before. The future will not be shaped by incremental change, but by a bold reimagining of how value, complexity, trust and action are understood and delivered across the healthcare ecosystem.

India's healthcare transformation journey may need to be viewed through four lenses – each offering a distinct perspective on the journey so far, the challenges that persist and the opportunities that lie ahead:

Value

From largely cost to cost and outcome

For decades, the country has set a global benchmark in price efficiency, making high-quality care accessible to millions at a fraction of international costs. It is the result of systemic ingenuity, relentless focus on frugality and a culture of doing more with limited resources. Yet the very definition of value in healthcare will need to evolve.

Key procedures in leading Indian hospitals are priced more than 70% lower than in hospitals in developed and high-cost countries such as the US and the UK; they are also priced ~50% lower than in other middle-income countries like Thailand and Malaysia, according to EY-P analysis.

Even at leading private hospitals across cities, the Average Revenue Per Occupied Bed Day (ARPOBD) ranges between INR30,000 and INR40,000, breaching the INR70,000-mark only for quaternary care in metros, which is less than 5% of the total private market by value[3]. However, affordability remains a challenge for large parts of the population with high levels of out-of-pocket expense for healthcare.

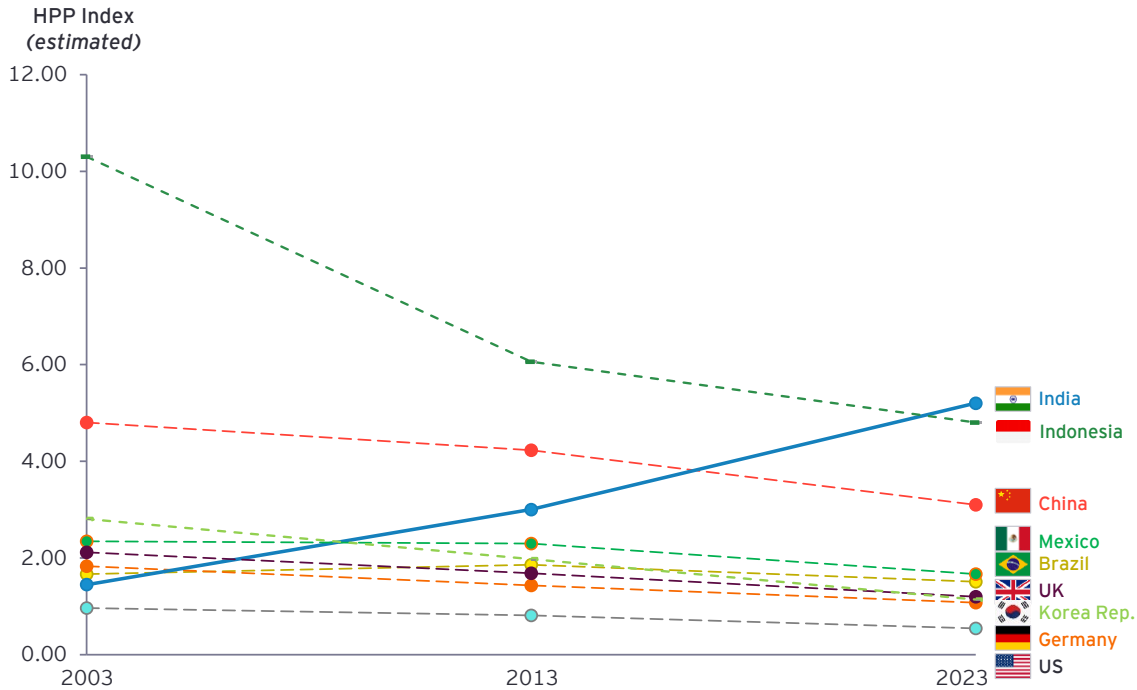
This frugality is the result of systemic efficiency. Even as capacity has grown (more beds, doctors and institutions), the system has managed to keep core price inflation to just 3%–4% annually[4]. Most of the 9%–9.5% average long-term growth in inpatient realizations has been driven not by price hikes, but by changes in case mix and complexity: more tertiary procedures, deployment of advanced therapies and a shift toward more complex admissions as access, diagnosis and affordability improve[4]. It must be acknowledged that despite relatively low procedure prices and ARPOBDs, the financial burden of healthcare on Indian households is still largely prohibitive

The HPP Index: A new measure of value

Price efficiency alone does not tell the whole story. What truly sets India apart is its ability to deliver outcomes per unit of spend – which the Healthcare Productivity and Performance (HPP) Index captures. It evaluates cost efficiency by benchmarking countries on their ability to generate health outcomes relative to health system costs. It reveals a striking trend: India's HPP Index has risen from ~1.9 in 2003 to ~5.8 in 2023, outpacing even high-income countries.

3. Analysis includes 'quality' players only; Investor presentations of Apollo, NH, HCG, Fortis, Max, Medanta and other major Indian hospitals, EY-Parthenon analysis
4. NSSO 2004 and 2018, realization growth across key players, EY-Parthenon analysis

Figure 3: HPP Index = Healthcare Outcome composite / Healthcare Expenditure composite (Ratio of health outcomes achieved to healthcare costs incurred)



Source: World Bank indicators IHMF, EY-P analysis, HPP index adjusted for PPP

The efficiency gap between India and its peers has widened significantly over the past two decades, underscoring the nation's ability to deliver value at scale.

While this reinforces conviction that India has been more efficient in healthcare spending, the degree of gap may be influenced by two reasons: integrity and completeness of outcome data and relative demographic advantage (younger population).

The new definition of 'value'

On absolute health outcome indicators, India continues to lag those of global peers. India's legacy of frugality is a powerful foundation, but it is not enough. The next leap demands a shift from frugality to maximizing health outcomes per rupee spent. While India has delivered more for less, India's demographic and disease profile shifts require a new focus on value that have to be measured not just by cost, but by the quality and equity of outcomes.

Globally, the definition of value in healthcare has evolved from a narrow focus on cost to a broader commitment to outcomes that matter to patients. Countries such as the Netherlands and Sweden have pioneered value-based healthcare, systematically measuring patient-reported outcomes and quality of life along with cost. Singapore combines strong cost controls with a relentless focus on outcomes. Australia's activity-based funding model ties payments to both efficiency and quality.

These global experiences show that value is not a static concept – it is dynamic, patient-centered and requires systems that can measure, compare and improve both costs and outcomes. India's next leap must be to embed this broader, outcomes-driven definition of value into every aspect of its health system. The future cannot be primarily about cost containment, but about maximizing health outcomes – life expectancy, quality of life and equity – per rupee spent.

Complexity

From episodic to longitudinal care

India's healthcare faces unprecedented complexities of an aging population, surging chronic diseases and rising co-morbidities, transforming needs beyond scale alone.

By 2047, India could face a demographic and health crisis. The country's population aged 60 and above is projected to quintuple from 2001 levels, with the 40+ years cohort reaching 820 million—half the country's expected population[5]. Non-communicable diseases (NCDs) like diabetes, heart disease and cancer have overtaken infectious diseases as the dominant health burden. Indians develop NCDs 3–10 years earlier than in high-income nations[6], with poor screening leading to late detection, higher mortality, and financial shocks. Co-morbidity rates have surged 20-fold since 1995, as per the NSS, and will worsen as the population ages.

Hospitalizations may triple by 2047, as per EY analysis, pushing health expenditure from INR10–11 lakh crore to INR160–190 lakh crore, which would be nearly 6%–7% of GDP.

The real challenge is not just volume or cost, but care complexity. Early-onset NCDs, late detection and multiple co-morbidities require intensive, continuous, coordinated treatment. Traditional episodic care models will not suffice. Without shifting to longitudinal, lifecycle-based approaches, India's healthcare system risks being overwhelmed by the unprecedented scale and complexity of future demand.

The case for longitudinal, lifecycle-based care

The opportunity as well as necessity is to move from episodic, reactive care to a longitudinal, lifecycle approach, investing in prevention, early detection and coordinated disease management across patients' entire health journeys. Early-stage disease management costs significantly less than late treatment. For example, early kidney disease requires medical management versus dialysis/transplants later; early cancer intervention costs less than advanced-stage care.

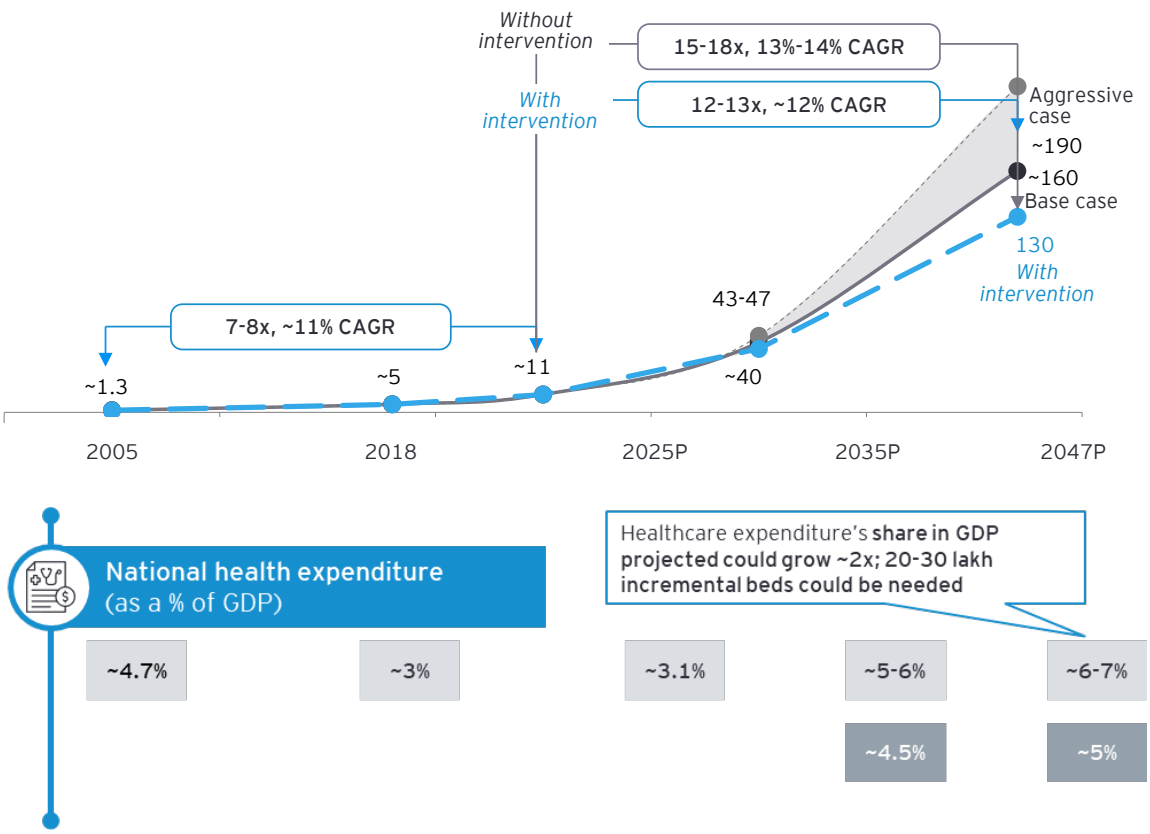
A lifecycle approach integrates preventive care, diagnostics, disease management and treatment into seamless continuums. Early-stage lapses compound across lifecycles, driving higher costs, worse outcomes, and catastrophic financial strain for families.

With a shift to longitudinal care, India can flatten both the hospitalization and expenditure curves. International benchmarks and modelling by EY-P suggest that with the right interventions, hospitalizations could be reduced by 20%–30% from projected levels and health expenditure could be contained closer to 5% of GDP, delivering best-in-class outcomes at a fraction of the cost seen in developed markets.

Complexity of care is a challenge. Early-onset NCDs, delayed diagnosis and multiple co-morbidities need continuous and coordinated treatment. Traditional episodic care models would be inadequate.

5. Report of the Technical Group on Population Projections for India and States 2011-2036, Ministry of Health & Family Welfare, July 2020; Census Data 2001, 2011; EY-Parthenon analysis
6. Global Disease Burden Report, 2021, Projections Tool 2025; Lancet 2001, 2021, National Family Health Survey-2021, WHO 2002-2025, WHO x GloboCan 2018, 2022; ICMR-INDIAB study

Figure 4: Projected increase in healthcare expenditure, INR lakh crore



Financial pressures – A key barrier to be overcome

Delivering longitudinal, coordinated care requires sustained investment in workforce, technology and infrastructure, yet many providers face persistent margin pressures due to rising input costs, wage inflation, higher tax burden given limited Input Tax Credit (ITC) on inputs and reimbursement rates that often fail to reflect true complexity.

Investment, going forward, will need to be largely private and hence this challenge will need to be overcome. Insurers, meanwhile, often grapple with suboptimal risk pools, inability to assess and price clinical risk effectively, low empanelment rates among nursing homes and high claims ratios (85%-90%)[7], making it difficult to support innovative care models or expand coverage sustainably. An illustrative, scientific reimbursement model for private insurers could reward investments in quality and delivery of best-in-class outcomes through tiered reimbursements. This would reduce the variability in pricing across similar hospitals and bring in a more structured and transparent regime.

New payment mechanisms and risk-sharing frameworks can prevent the financial pressures from becoming a barrier to the very transformation India needs, limiting the system's ability to shift from episodic to lifecycle-based care and to invest in prevention, early intervention and chronic disease management.

7. IRDAI Annual Report 2024-25 https://irdai.gov.in/document-detail?documentId=8375620

Trust

From fragmentation to transparency and integration

In India, building and sustaining trust is uniquely challenging because fragmentation exists across nearly every dimension of the health ecosystem, multi-layered and deeply structural:

Access to care: Stark disparities persist in access to beds, specialist care and high-end equipment. While metros and southern states approach global norms (beds per 1,000 capita ratios of 2.0–3.0), tier 2, tier 3 and rural areas, with lower bed density (often less than 1.5 per 1,000 capita)[8] and limited access to advanced therapies, remain underserved.

Provider scale and size: India has among the world's lowest number of average beds per hospital (25–30 versus 100-plus globally), creating wide variability in resources, capabilities and patient experience.

Payer fragmentation: Financial protection is fragmented across government schemes, social health insurance, private insurance and a large "missing middle" (25%–30% of the population[9]) that remains uninsured and exposed to out-of-pocket expenses. The payer ecosystem is more fragmented than most other countries globally (top five payers drive ~40% payouts in India vs. 60%–90% globally[8]). Each payer segment operates with different standards, scope of coverage, reimbursement models, compliance requirements and network hospitals, further complicating the landscape.

Provider maturity: Less than 10% of private providers have full accreditation from National Accreditation Board for Hospitals & Healthcare Providers (NABH)[10] and less than 2% of diagnostic labs are estimated to have National Accreditation Board for Testing and Calibration Laboratories (NABL) accreditation[11].

Quality standards: There is scope for greater specificity and coverage of appropriateness of care standards, clinician privileging and credentialing as well as depth and breadth of measurable outcome metrics.

Digital readiness: Digital adoption is highly variable. Smaller clinics and nursing homes still rely on paper-based records.

This fragmentation results in inconsistent quality, limited accountability and a lack of system-wide standards, making it difficult for patients to navigate, for clinicians to benchmark and for payers to reward value.

The post-Covid world: Formalization through transparency and integration

Patients and clinicians align on the need for a new era of formalization in healthcare, emphasizing transparency, integration and shared standards. EY conducted a survey involving over 1,000 patients and approximately 100 clinicians across metropolitan and non-metropolitan cities in India to assess the current importance of quality care and key sources that patients leverage to ascertain hospitals' quality rating and thus understand the gaps.

Patients seek objective information yet only a third can access such information. Majority rely on brand reputation and word-of-mouth. Absence of standardized metrics means patients remain uncertain, especially when navigating complex care.

8. EY-Parthenon analysis
9. "Health Insurance for India's Missing Middle", NITI Aayog, 2021
10. NABH website; Adoption rate calculated for full accreditation basis 35,000-40,000 private hospitals in India
11. NABL Report 2025, EY-Parthenon analysis

Clinicians are also intent to measure and share outcomes (~ 65%). However, the reality is fragmented. Outcome tracking is ad hoc, metrics inconsistent (~60%) and digital tools underutilized. Clinicians recognize that formalization through clear standards (~90%), digital integration (~50%), and transparent reporting would improve care and build trust. This convergence of patient and clinician aspirations creates a unique window of opportunity.

The paradox of regulatory progress vs. systemic trust and enforcement

India's regulatory and policy ecosystem is intent to bring in global best-in-class practices, customized for the Indian context. Over the past couple of decades, regulators and standard-setting bodies have made significant strides.

- The Indian Council of Medical Research (ICMR), along with the National Health Authority and WHO India, has developed evidence-based Standard Treatment Workflows across 28 specialties to ensure uniform, optimal treatment practices nationwide.
- NABH has adapted frameworks for enabling small and mid-sized facilities to access quality standards, and now defines specialty-specific digital standards through association partnerships.
- The Ayushman Bharat Digital Mission (ABDM) has been designed to create a unified, interoperable health data ecosystem. Ayushman Bharat revisions (HBP 2.0, 2.2, 2022) incorporate recognition and reward mechanisms for quality.
- The Quality Council of India is piloting a scientific, transparent grading system for hospitals to improve quality.
- The revised Central Government Health Scheme (CGHS) rates now recognize input cost differences across city tiers and reward excellence through accreditation and super-specialty status.
- Health Technology Assessment India (HTAIn) has been established to provide scientific, evidence-based guidelines for the usage of high-cost drugs and implants, using rigorous cost-effectiveness studies to inform policy and reimbursement decisions.
- The Clinical Establishment Act mandates minimum standards with real enforcement powers.

However, regulatory excellence alone is not enough. For India to realize the full potential of its policy innovations, building trust, fostering collaboration and crucially, ensuring enforcement strength, are essential. Lack of robust mechanisms for enforcement and incentives for voluntary adoption can make even the most thoughtfully designed frameworks ineffective. The future of Indian healthcare depends on closing this gap: combining world-class regulatory vision with the practical tools, trust and enforcement teeth needed to drive real, system-wide change.

Building trust requires sustained commitment, collaboration and a willingness to embrace transparency. But the rewards can potentially be profound: a system where every patient can make informed choices, every clinician can benchmark and improve, and every stakeholder is accountable for outcomes.

Action

From one size fits all to a cohorted, bespoke approach

The 7C Solutioning Framework

Population diversity, heterogeneous disease burdens and wide provider-payer maturity spectrums require tailoring interventions to unique patient groups, geographies and stakeholder needs. The 7C Solutioning Framework is a comprehensive, integrated blueprint that can align incentives, empower stakeholders and deliver world-class care at scale.

Proposed solution framework: Towards accountable care

Cohorting and segmentation-based approach

Gradually expand in scope as threshold conditions on population coverage, provider accreditations and metric clarity are satisfied

Clinical excellence

Regulating for trust via a Central Authority

Setting standards	Tiering accreditation	Enforcing accountability
Appropriateness of care, privileging, outcome metrics, reporting requirements	Minimum standards, Centre of Excellence, feedback loops	Risk-adjusted publishing, penalties and audit mechanisms

Cost consciousness

Balancing quality-cost through policy enablement

Driving access	Improving affordability	Supporting viability
Cost reduction mechanisms (VGF, infra sharing), tech-driven models	Rational use of high-cost therapies, Subsidies for "missing middle" cover	Group purchasing organizations (GPOs); Schemes link to minimum costing, standards; GST reform to lower burden

Care reimbursement

Tiering payout basis quality, infra and service

Differentiating care	Tiering reimbursements	Maintaining fairness
Differentiated care delivery (Quality × Capability × Service)	Rate differentials by hospital, geography, complexity	Reducing variability between similarly capable hospitals; rewards / penalties

Consumer empowerment

Enabling informed decision-making

Improving transparency	Building clarity	Expanding choice
Dashboards for quality, cost and guides	Scaled awareness and education programs	Insurance product innovations: base vs. top-ups

Care coordination

Moving towards a managed-care ecosystem

Piloting payer-provider solutions	Scaling integrated networks	Enabling tech driven models
Bundled payments for integrated care	Capitation for preventive and chronic care	Home healthcare, clinical grade wearables and care consortium groups

Connected ecosystem

Moving towards digitally enabled ecosystem

Infrastructure enablement	System intelligence	Data-driven governance
Common portals and ABDM-compliant EMRs	System-wide tools for fraud and clinical guidance	Cohorting, risk models and grading backed by data

The 7C framework

Cohorting: Segmenting objectives and approach

There is a need to segment populations by risk, disease, geography and payer type and tailor interventions for high-impact cohorts. For micro-markets with extremely low bed densities and/or formalization (beds accredited, beds empaneled, population covered), focus on the basics would drive access and formalization. Targeted interventions to drive holistic outcome can be implemented in micro-markets with a reasonable critical mass of access, insurance cover and hospitals with regulatory or payer coverage. Cohorting would enable more efficient resource allocation, sharper policy focus and the ability to demonstrate early wins in targeted segments.

Clinical excellence: Regulating for trust via a central authority

India's clinical excellence framework will need to solve for the triple problem of adoption of common standards, enforcement and tiering. Industry stakeholders emphasize the need for a framework that not only enforces minimum standards but also recognizes institutions delivering world-class outcomes.

India could potentially benefit from a Central Authority for Clinical Excellence that balances advisory and regulatory roles through three core functions:

- Standards definition
- Accreditation and feedback
- Compliance and enforcement

Such a body must act as a true partner though and not a gatekeeper, have clarity of purpose, flexibility by design, be inclusive, industry-led, empowered and well-resourced to succeed.

Cost consciousness: Balancing quality-cost through policy enablement

The quality-cost balance equation for India implies solving for market inefficiencies that have hampered private sector expansion. The role of policymakers is likely to be pivotal even as the government has established strong foundational building blocks to address these inefficiencies, which include:

- Inhibiting infrastructure creation in underserved areas
- Inhibiting provision of meaningful health cover to the "missing middle"
- Resulting in potentially unnecessary usage of expensive drugs, implants or equipment
- Inhibiting uptake of central or state government (AB-PMJAY) schemes

Care reimbursement: Tiering payout based on quality, infrastructure and service

Various stakeholders have articulated the need for a tiered reimbursement framework, anchored on a scientific grading system. It has also been seen globally as one of the most effective levers to incentivize a mindset shift towards quality. Approximately 80% of patients surveyed believed that standardized grading would strengthen their trust in hospitals and clinicians. Key stakeholder interactions also highlighted the need for a framework to recognize and differentially reward institutions delivering high quality outcomes and clinical excellence.

A grading system could group hospitals into six types based on capability and quality, forming tariff bands that appropriately differentiate input investments and quality levels across hospital archetypes. Further, reimbursement modifiers can be introduced. These modifiers could have weightages associated for each category, accounting for differences in the cost structures of geographic location and severity of disease.

A Centre of Excellence modifier can also be kept as an optional modifier, to be used in exceptional cases where there is depth in specific specialties, exemplified by equipment, infra, research, affiliations, etc.

A tiered, scientific grading-based reimbursement framework

Capability of facility	Illustrative definition metrics
Tier 1	▪ Cutting-edge medical infrastructure (Robotics, advanced diagnostics, etc.) ▪ Multi-disciplinary care teams active in at least top three therapy areas (Cardiac, oncology, transplant, etc.) ▪ Fully integrated EMR systems
Tier 2	▪ Advanced medical infrastructure ▪ Sub-specialization / multi-disciplinary team available in at least 1 specialty ▪ Digitized HIS systems
Tier 3	▪ Standard medical infra ▪ Multispecialty availability

Quality of care	Illustrative definition metrics
Advanced	▪ Full NABH accreditation and JCI accreditation preferred ▪ Audited minimum threshold performance across at least three PROMs ▪ Audited minimum threshold performance across at least eight CROMs
Standard	▪ Entry-level NABH accreditation ▪ Audited minimum threshold performance across at least four CROMs

Reimbursement model

ILLUSTRATIVE

Reimbursement modifiers

Facility type (6))
Type 1 *(Highest capability and quality levels)*
Type 2
Type 3
Type 4
Type 5
Type 6 *(Entry level capability and quality)*

Geography (4)
Metro
Tier 1
Tier 2
Tier 3 and beyond

Geographic variability:

Accounting for cost structure differentials across real estate, manpower, utilities, etc.

Clinical complexity (3)
Level 1
Level 2
Level 3

Clinical complexity:

1. Procedure-based risk adjustment (low, moderate, high complexity)
2. Scientific Diagnostic Related Group (DRG)-based benchmarks to ensure fairness across case-mix

6 x 4 x 3
Reimbursement codes for each procedure

CoE status (2)
Yes
No

Source: EY-Parthenon analysis

The suggested tiering framework is only illustrative and a detailed exercise will need to be carried out given the heterogeneity in India's healthcare system. Such a system can bring in a transparent, scientific mechanism to defining the reimbursement rates.

Customer empowerment: Enabling informed decision making

Healthcare choices in India have traditionally been driven by word of mouth and clinician legacy, which has led to a disproportionate pull of patients to selective doctors. Such a model has limited basis in evidence and puts higher pressure of healthcare delivery on fewer resources/individuals.

Three key levers for customer empowerment that could be developed are:

Framework	Levers/Programs to be accelerated
Improving transparency	■ Driving minimum data sanctity - Creation of one profile per provider; Linking of data across ABDM, PM-JAY and hospital systems to make such profiles both reliable and machine-readable ■ Curation of a consumer-grade public dashboard stitched from ABDM, PM-JAY and eSanjeevani feeds ■ Availability in Indian languages, low-bandwidth formats and distributed through kiosks, ASHA networks and awareness campaigns
Building clarity	■ Deployment of simple comparison tools to view hospital grades, clinician and provider details, outcomes, cashless eligibility checks ■ Incorporation of key clinical outcome signals into patient journeys, while payers use the same data to steer demand and design value-based contracts ■ Standardized disclosures and product cards for insurance products
Expanding choice	■ Coverage across every household through an affordable baseline clinical insurance cover (e.g., a INR5,000 family floater) ■ Preserving the freedom to upgrade service eligibility through top-ups ■ Steerage options – trade-off between premiums and range of network hospitals (within a certain geography or payer-preferred network)

Care co-ordination: Moving towards a managed-care ecosystem

There is growing interest and recognition among providers, clinicians and even patients in the potential of managed care to significantly improve outcomes and experience across the care continuum. However, significant barriers exist in building managed care systems at scale in India. A multi-pronged approach can balance the setup of foundational enablers with pragmatic pilots that can help build belief in the feasibility of managed care models and generate critical learnings on what works in the Indian context.

Importantly, while the private sector faces acute challenges in integration, the public sector, with its tiered Primary Health Center (PHC)–Community Health Center (CHC)–District–Apex architecture, holds natural potential for scaling managed care, especially in states with relatively well-developed infrastructure.

Private sector models could also become scalable at a cohort or micro market level, provided certain threshold conditions are met:

1. Broad consensus on clinical pathways and disease management guidelines for targeted comorbidities or ailments.
2. A critical mass of patients in a micro market covered under a single payer (or a coalition of payers willing to participate).

3. A critical mass of accredited providers willing to align with stringent clinical and reporting standards and empaneled with the payer.

As broader interventions around clinical governance, quality-cost balance and customer empowerment are implemented, these threshold conditions can increasingly be met across multiple micro markets, creating the opportunity to test and refine managed care models in India through pilots. Three potential arenas could be:

Provider-led pilots: Closed-Network Wellbeing Ecosystems

Insurer-provider collaborative pilots: Pre-paid managed care models

Health-tech anchored pilots: Disease-focused, digital-first care

Connected ecosystem: Moving towards a digitally integrated ecosystem

Based on the key challenges of the current digital ecosystem and learnings from other countries, the VALUE framework defines Vital Aspects of Leveraging Digital for Unifying and Enhancing Health Outcomes for India with a focus on 5Is – infrastructure, interoperability, intelligent systems, integrated care and insight-based governance.

Framework	Focus areas
V- Vital Digital Infrastructure	▪ Critical focus systems: HIS, EMR, PACS, LIS, RIS patient apps, NHCX ▪ Patient apps for access to medical records, engagement and consent management for data portability, well integrated with HIS and EMR
A – Advanced Interoperability	▪ ABHA-linked health records to ensure continuity of care across all levels of care ▪ Common data capture standards, templates and open APIs for nationwide exchange. ▪ Patient consent-driven data sharing with stakeholders aligned with Digital Personal Data Protection Act (DPDP Act)
L – Leveraging Intelligent Systems	▪ AI, GenAI and Agentic AI for clinical decision support at provider level and personalized health awareness and education at patient level ▪ Smart automation at provider and payer level ▪ Fraud detection in claims and insurance ▪ Automated quality metrics capture and monitoring at provider level ▪ AI-based models for predictive analysis of health emergencies or changing health profile at government level
U – Unifying Care	▪ Integrated platforms for collaboration between hospitals, clinics, labs, pharmacies, payers and regulators for longitudinal Patient 360° view across all stakeholders ▪ Integration of HIS system with NHCX for claims and scheme management
E – Evidence-Based Governance	▪ Real-time dashboards for regulators, payers and providers ▪ Standardized reporting of outcomes and quality indicators ▪ Feedback loops for continuous improvement ▪ Data analytics for public health studies, disease profiling, clinical R&D, infrastructure planning, health budgeting, etc. ▪ Data analytics to create cohort-based managed care models

Note: HIS: Hospital Information System, EMR: Electronic Medical Record, PACS: Picture Archiving and Communication System, LIS: Laboratory Information System, RIS: Radiology Information System, NHCX: National Health Claims Exchange

Stakeholder roles: A collective responsibility

Stakeholder	Key imperatives
 Regulator	1. **Establish a Central Authority for Clinical Excellence** to define, accredit and enforce minimum and tiered quality standards 2. **Scale policy enablers** like VGF schemes, GST reforms to include ITC on inputs, Ayushman Bharat and HTAIn to address infrastructure gaps and affordability for the "missing middle" 3. **Mandate digital adoption** through ABDM and NHCX compliance, especially in tier 2/3 and rural areas 4. **Drive managed care pilots** in public systems leveraging PHC–CHC–District–Apex architecture 5. **Enable transparent public dashboards** for hospital performance and clinical outcomes 6. **Incentivize private sector participation** in cost studies, digital health and value-based care models 7. **Create legal and regulatory frameworks** for data sharing, privacy (DPDP Act) and outcome-linked reimbursements
 Provider	1. **Invest in digital infrastructure** to enable longitudinal patient records, quality tracking and ABDM integration 2. **Lead managed care pilots** by building integrated networks (primary, diagnostics, tertiary) 3. **Standardize care pathways** and align with national protocols to improve outcomes and trust 4. **Enable transparent reporting** of clinical outcomes and quality metrics to build patient confidence 5. **Train staff on quality protocols** and digital tools to improve compliance and operational efficiency 6. **Explore bundled care models** and pre-paid packages to improve affordability and predictability for patients
 Payer	1. **Adopt tiered reimbursement models** linked to provider capability, quality, geography and complexity 2. **Collaborate with providers** to launch capitated managed care models for select focused cohorts with shared savings and outcome-linked incentives 3. **Support digital claims and quality tracking** through NHCX and ABDM integration. 4. **Develop flexible insurance products** tailored to different affordability levels and care needs 5. **Use clinical data to steer demand** toward high-quality providers and design value-based contracts 6. **Subsidize or co-pay for "missing middle"** populations; empanel compliant nursing homes to expand coverage, risk pooling 7. **Invest in fraud detection and analytics** to improve efficiency and trust in the system
 Clinician	1. **Co-create and adopt standardized clinical pathways** and participate in quality benchmarking initiatives 2. **Engage in continuous credentialing and privileging** aligned with national frameworks 3. **Champion digital adoption** by integrating EHRs and contributing to longitudinal patient records 4. **Participate in multidisciplinary reviews and outcome tracking** to improve care quality 5. **Educate patients** on treatment options, outcomes and preventive care to build trust 6. **Align with managed care models** to deliver coordinated, outcome-driven care 7. **Contribute to feedback loops** for refining protocols and improving system-wide quality
 Patient	1. **Use digital tools** to access hospital ratings, clinical outcomes and insurance eligibility 2. **Choose care based on quality data**, not just word-of-mouth or legacy reputation 3. **Participate in feedback mechanisms** to improve provider accountability 4. **Adopt preventive care practices** and engage in chronic disease management programs 5. **Understand care rights and standards** through awareness campaigns and vernacular dashboards 6. **Leverage telehealth and digital services** for access, especially in underserved areas

Conclusion

India's healthcare system stands at a strategic inflection point. Decades of innovation and scale have proven its ability to deliver high-quality care under resource constraints. Now, as the nation advances toward the vision of *Viksit Bharat*, the imperative is clear: shift from incremental progress to bold, systemic transformation.

The path forward demands a reimagined health architecture that is digitally-enabled, outcome-driven and anchored in collaborative governance. India must move beyond pilot programs and fragmented initiatives to institutionalize clinical excellence, unlock data-led decision-making and align incentives across stakeholders. The opportunity exists to redefine healthcare delivery. By empowering government, providers, payers, clinicians and citizens to act in collaboration, India can architect a model of care that delivers globally benchmarked outcomes with the lowest systemic costs.

With visionary leadership and collective resolve, India can deliver on the promise of a *"Swasth Viksit Bharat"* where affordable, high-quality healthcare is not aspirational, but foundational.

Global insights

Nuclear revival: Getting future projects right

Tailwinds for a new nuclear power revival mean that investors, utilities and service providers need a well-conceived execution strategy.

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Rigorous project management and imaginative risk mitigation are essential to scale the next era of nuclear power plant development

Better nuclear project delivery strategy can rethink planning, management, execution, control and risk and accelerate multi-plant construction economics

We have seen this cycle before. A nuclear revival and sector growth expectations typically start with great promise for the future with the belief that prior lessons learned have been studied and understood.

But these hopes have been consistently dashed by controllable and uncontrollable adverse circumstances similar to those in prior eras. Each time a nuclear renaissance looks possible, events arise to constrain its progress, rather than advance its momentum.

The next nuclear revival emerging today can and should be different, despite multiple headwinds. The breadth of tailwinds today, from federal policy, consumer sentiment, clean energy/decarbonization priorities, artificial intelligence (AI) technology advancements and power supply needs, including those from data centers, are shaping sector conditions more favorably than in any prior period.

Looking back at history, projects consistently exhibited failures in project management, design completion, construction performance and quality assurance, exacerbating uncertain project outcomes, whether it was Generation II (GenII), GenIII (1965–1985) or GenIII+ (2006–2024+). The result drove nuclear power plants from "too cheap to meter" to "too expensive to undertake."

At the center of any new nuclear plant construction model is the premise that an evolved prototype for future nuclear design and construction — the ecosystem — is a superior approach to any other mode to produce lower costs, faster commercial operation date (COD) completion, higher quality and sustained economies of scale.

A large gap still exists between visceral support and physical completion of new nuclear plants, with daunting challenges

A large gap still exists between visceral support and physical completion of new nuclear plants, with daunting challenges for funding sufficiency, owner, original equipment manufacturer (OEM) and industry, manufacturing, and engineering procurement and construction (EPC) readiness, manufacturing and labor adequacy, Nuclear Regulatory Commission (NRC) licensing and state regulatory acceptance. Each challenge needs to be solved before undertaking the next new nuclear era.

A nuclear power revival is likely to depend on nuclear power plant builders fully assimilating lessons learned over the last 60 years, defining new ownership and governance structures and implementing evolutionary advances in project planning, management, execution, control and risk management techniques. Any less rigorous approach simply invites a redux of prior eras and a quick end to what could be the kickoff of a multi-decade next nuclear revival.

Nuclear industry must address affordability by managing risks, accelerating delivery, applying lessons, and focusing on performance outcomes at scale

Overcoming nuclear revival challenges

One early — and pivotal — factor regarding formation of the nuclear utilities industry in the 1960s was the existence of competitive reactor engineering firms offering multiple nuclear technologies. Choice turned out to be an albatross to the sector as too many designs emerged for a specialized technology, causing unnecessary costs to be incurred.

Poor nuclear sector performance from the late 1960s through the early 1980s and into the 2000s was not the result of a single failure. Rather, plant design standards were not rigorously imposed, and critical design and delivery processes that could fail did, sometimes spectacularly, and often in tandem with other uncontrollable factors. Even one of these shortcomings is a significant detriment to plant design and construction success. All of them in concert can be fatal. Compounding them with additional planning, execution and management weaknesses establishes too many infirm underpinnings for project success.

Early GenII and GenIII "big box" plant design and construction projects (1,000+ megawatts (MWs)) incurred cost overruns of two to three times planned levels, and construction durations — measured from construction permit through commercial operation date (COD) — extended 60 months to 200+ months. And projects expected to cost in the mid-hundreds of millions of dollars ballooned to several billions of dollars over the construction life cycle.[1]

Unfortunately, initial cost estimates for recent GenIII+ first-of-a-kind (FOAK) plants continued these trends. Initial big box estimates for plants constructed since 2012 were between US$3 billion and US$24 billion but increased to US$14 billion–US$ 63 billion at completion, which are similar to cost overruns of two to three times estimates reached in prior eras.[2] Current estimates for future big box plants run between US$6,000 per kilowatt (/kW) and US$10,000/kW for a "reasonably constructed plant," which still implies US$5 billion–US$9 billion in financial commitment.[3] And cost estimates for small modular reactors (<300 MWs), before a plant has broken ground range from US$5,000/kW to US$9,120/ kW, reflecting the FOAK nature of this technology.[4]

The nuclear power industry needs to confront these affordability challenges as it seeks to build economic fleets of new nuclear plants. This means recognizing risks, embracing speed and embedding lessons learned to enable sustained economies of scale. But these will only materialize if dramatic performance outcomes are delivered at scale by thinking about delivering a growing fleet, not just one plant at a time, and getting from a FOAK to an "Nth-of-a-kind" (NOAK) plant as quickly as possible.

1. Energy Economics Database, Nuclear Regulatory Commission (NRC).
2. EY-Parthenon team analysis of published media.
3. U.S. Department of Energy (DOE), "Literature Review of Advanced Reactor Cost Estimates," EY-Parthenon team analysis.
4. Company websites, NRC, DOE, investor presentations, EY-Parthenon team analysis of published media.

The path to a nuclear revival: NOAK

Moving from FOAK to NOAK for first generation small modular reactors (SMRs) needs to follow a rigorous path to quickly incorporate learnings to improve cost and schedule predictability — each plant needs to get 15%–20% better, rapidly, according to an EY-Parthenon team estimate. Learnings need to be defined at an activity level, e.g., design, fabrication, assembly, installation and construction of internal reactor systems and equipment, not just for full reactor containment or the delivered plant.

Comprehensive and detailed risk analyses — with commensurate identification of risk mitigation measures — are not commonplace, and it is often difficult to persuade owners to undertake them. Owners need to develop a much greater appreciation for risk assessment than in prior GenII, GenIII, and recent GenIII+ projects. This area — the lack of imagination and committed "what if" risk assessment — illustrates a critical element of industry hubris and a fundamental flaw in project management.

To reverse prior poor project outcomes, the nuclear industry needs to deliver on the promise of affordable nuclear energy, rethink how it plans and constructs plants, and stress test assumptions, roles, structures and techniques to identify where assumptions can be challenged and plant design and construction can be dramatically improved.

This means ensuring NOAK estimates fully incorporate standardization, simplification and optimization concepts. It requires breaking down learnings by element, allowing owners, OEMs and EPCs to focus on controllable activities that matter to plant success. These include comprehensive risk analytics, front-end concepts on mass production, multi-plant siting, building and equipment modularity, fabricator, OEM, supplier and contractor learnings, real-time quality assurance and owner ability to embed and improve plant design and construction.

This multi-point plan can drive

40%–60%

reductions in total costs to get to the NOAK plant.[5] The key principle underlying moving to NOAK is to imagine the end state, then chart the path to get there. From top to bottom, everything about next-nuclear design and construction needs to be more standard and less bespoke.

But all involved parties, particularly owners within the utilities industry, should recognize potential larger problems on the horizon: there are far fewer experienced OEM, contractor, indirect and direct labor resources than in prior eras; the learning curve for FOAK SMR technology development and adoption is unknown; the funding models needed to jumpstart new plants are a challenge; owners are underfunded and under-resourced, and the risks related to new technologies are not fully vetted.

Evolving to NOAK outcomes demands a more imaginative approach to how next nuclear gets built — from longstanding stick-built models to more simplified reactor designs, modular techniques and a singularly distinct archetype for collaboration, coordination and colocation — an integrated "ecosystem."

To reverse prior poor project outcomes, the nuclear industry needs to deliver on the promise of affordable nuclear energy, rethink how it plans and constructs plants, and stress test assumptions, roles, structures and techniques

5. Bolisetti, Chandrakanth, et al., U.S. Department of Energy System Analysis and Integration Campaign, "Quantifying the Cost Reduction Pathways for Advanced Nuclear Reactors," 6 June 2024.

Reimagining the next nuclear model

The next nuclear revival requires an institutional and structural set of targeted solutions. The industry needs to prioritize fixing what hasn't worked, revitalizing what is outdated, adopting what has evolved, and reimagining nuclear energy's future to embed world-class project infrastructure, OEM and EPC capabilities, and an owner-management model to support full readiness to execute.

Evolving from reactors to projects and then to multiple regionally located ecosystems enables participants to rethink sector-wide design and construction. The industry can think big in concepts, e.g., leveraging consortia and non-traditional partners, and think at scale, i.e., a portfolio.

Next nuclear needs to advance beyond conventional approaches to a more tightly architected framework linking owner, OEM and EPC objectives. As previously stated, an evolved ecosystem approach to future nuclear design and construction can produce lower costs, faster COD completion, higher quality and sustained economies of scale.

Nuclear tailwinds and headwinds

Factors affecting Gen III+ and Gen IV

Next nuclear

Tailwinds	Headwinds
Federal policy	Financing sources and costs
Public sentiment	Technology readiness
Pacesetter actions	Manufacturing capacity
Multiple OEMS	Balance sheets
Offtaker support	Competing designs
Equity-like financing	Risk apportionment
NRC engagement	Resource sufficiency
Tax policy	Performance execution
Output by-products	FOAK-to-NOAK
DOE send funding	Customer affordability

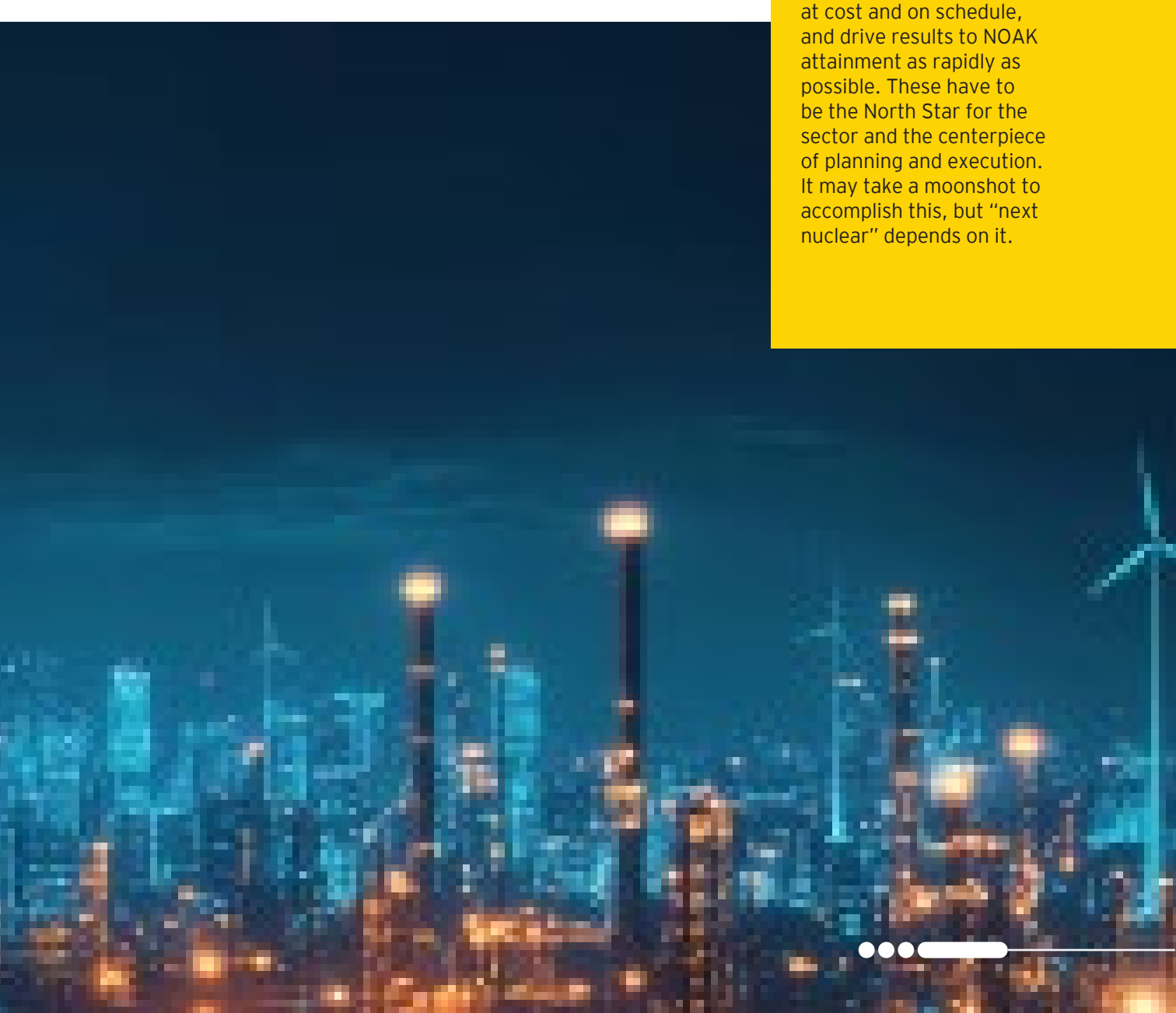
FOAK = First of a kind
NOAK = Next of a kind

An ecosystem of supporting parties can enhance the execution of multiple plants, i.e., a single site that enables a portfolio of big box and/or SMRs to accelerate and simplify the drive to NOAK. Several options exist for how to structure the consortium, e.g., unique plant ownership, sharing among partners, common fleet ownership across sponsors, or a blend of ownership or participation models depending on the scale and timing of plant design and construction.

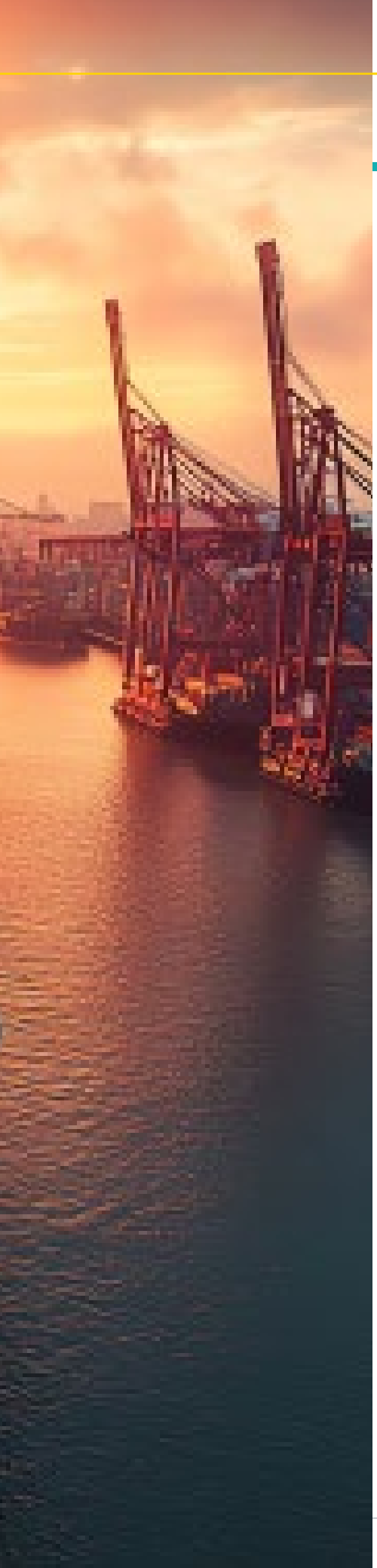
However, a nuclear revival cannot occur without a combination of innovative funding mechanisms to avoid the pitfalls of past bailouts, subsidies and write-offs. Beyond traditional owner equity, these include up-front government funding, multiple layers of investor equity, collaborative partnerships, market pricing models and cost overrun funding, all of which can mitigate downstream financial risks from the outset. All direct nuclear participants, including Congress and Wall Street, need to align around program and project integration focused on outcomes from conception and financing to delivery of next nuclear assets.

Future of nuclear power

The primary objectives for future nuclear owners are two-fold: deliver the plants at cost and on schedule, and drive results to NOAK attainment as rapidly as possible. These have to be the North Star for the sector and the centerpiece of planning and execution. It may take a moonshot to accomplish this, but "next nuclear" depends on it.



Global insights



The power of commercial and supply chain collaboration

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Consumer products companies can see gains in commercial and supply chain efficiency through an integrated approach to portfolio and supply chain management

Companies can simplify product portfolio complexity by 20% or more and significantly improve responsiveness to customers

The supply chain can be tailored to the streamlined product portfolio to enhance operational efficiencies and maximize capacity

Faced with rising geopolitical risks and supply chain disruptions, many consumer products executives are keen to make their supply chains more efficient, resilient or sustainable, but are not certain where to begin.

In fact, greater collaboration between the organization's commercial and supply chain functions on product decisions can lead to substantial efficiency gains in both areas. When product and supply chain strategies work together, companies can achieve multiple positive impacts, such as simplified sourcing, greater manufacturing efficiency and improved customer service. This can be done on its own or as part of an overall cost enhancing strategy and can lead to improved competitiveness and profitability. Based on our experience working with clients, companies that adopt a coordinated approach can simplify portfolios by reducing SKUs by 20% or more.

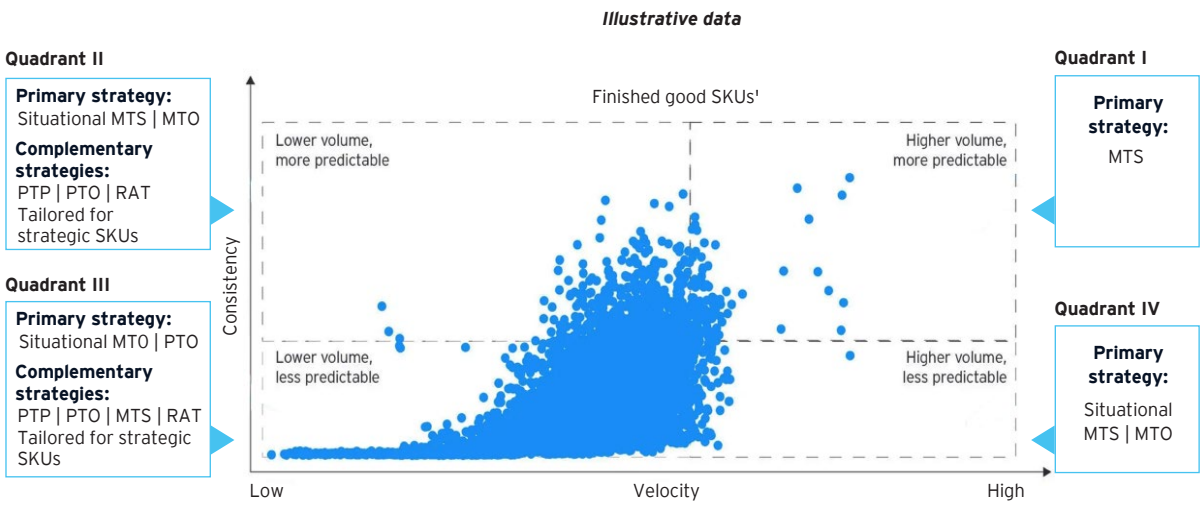
Unfortunately, it is common for marketing and finance departments to make product decisions without considering supply chain implications — informing the supply chain team only toward the end of the process or even after changes in the product portfolio are made. Similarly, when the supply chain is designed to deliver on production requirements, products are often lumped together in a "one-size-fits-all" solution without considering the commercial implications.

This kind of siloed approach can result in poor use of manufacturing capacity that may lead to stockouts and missed revenue opportunities. It can also cause higher inventories that increase working capital costs and reduce overall SKU productivity.

Prioritizing the product portfolio for a streamlined approach

A better way is to prioritize products and product families according to sales volume and manufacturing complexity (Figure 1). Products that are high volume and "made-to-stock"— which may be fewer in number but deliver a larger proportion of revenue due to the higher sales volume and economies of scale in manufacturing — have very different production requirements than the company's "long tail" of lower-volume products, which may require customization or frequent production line changeovers.

Figure 1: Product supply chain segmentation provides insights into product complexity



Note: Make-to-Stock (MTS); Make-to-Order (MTO); Pack to Plan; Pack-to-Order (PTO); Rationalize (RAT). Scatter graph showing product complexity and supply chain segmentation, with products plotted for consistency (y-axis) and velocity (x-axis).

Product supply chain segmentation enables tailored marketing strategies and improved competitiveness. The quadrants show different levels of product complexity and provide a starting point for efficient alignment of the product strategy with supply chain management.

Such diverse product profiles, which are common among consumer products companies, contribute to supply chain complexity. Companies can create new efficiencies by considering product simplification together with supply chain restructuring. Both sides of the equation are important to making the approach work.

By aligning supply chains with the different product profiles, organizations can segment the supply chain by product type, making it easier to develop tailored marketing strategies that serve the business more efficiently. Without appropriate segmentation, the high-volume, high-consistency products can be interrupted or delayed by changes required to produce the lower-volume, one-off or specialized products. Capacity that is designed for one product segmentation may not be available or flexible enough to accommodate the other.

A window to understanding product complexity

EY-Parthenon teams have worked with clients to evaluate the SKU portfolio using predefined metrics that help prioritize products based on both market performance and manufacturing complexity. This starts by incorporating evaluation parameters that include supply chain and operational considerations alongside marketing and financial objectives.

While company leaders may be generally aware that their organization's product mix could be simplified, a 2x2 portfolio segmentation matrix can help determine how complex the product portfolio is and can indicate how much the company might benefit from consolidating SKUs in a way that helps both commercial go-to-market and supply chain processes work better together.

With a more robust portfolio design in place, the "optimized" portfolio can be aligned across the supply chain in logical operational segments to create differentiated, parallel supply chains to meet the different needs of all products.

For the supply chain, realignment introduces a strategy for low-volume SKUs that share common components with high-volume products to create production synergies. The result is shifting a one-size-fits-all model to a tailored approach where manufacturing lines and stocking strategies are appropriately based on specific SKU and customer dynamics.

The portfolio changes can have a direct impact on supply chain efficiency by eliminating unnecessary product runs and changeovers. Planning around product families enables plants to change packaging for SKUs without bringing down the "main" production line. Production runs are longer and better utilized, helping unlock capacity to meet new demand and creating new revenue opportunities. The simpler product and manufacturing profile also helps improve supply chain resilience by reducing complexity and duplication.

The benefits for the commercial side, and the business overall, are equally clear. Product consolidation can help leaders define brand and product roles while also eliminating unproductive or duplicative SKUs. The result is a streamlined business and improved go-to-market and asset utilization, which in turn promotes sustainability and greater profitability due to cost savings. Sales are stronger, customers are better served, and the business can be more competitive overall (Figure 2).

Figure 2: Benefits of a coordinated product portfolio and supply chain strategy

	Opportunities		From	To
Portfolio simplification	Product consolidation	1	SKU proliferation driving unnecessary business complexity	SKU consolidation streamlining the business, improving assets utilization
	Product rationalization	2	Primary lever for network profitability and simplification without supply chain metrics fully incorporated	Last resort lever, considering profitability perspectives, as well as supply chain metrics
Supply chain realignment	Product-to-line enhancement	3	Products placed on lines based on history, with each plant optimizing its own utilization	Products strategically aligned across the network to drive overall efficiencies
	Pack-to-order strategy	4	Used sparingly on a situational product basis	Primary strategy for low-volume SKUs that share "base product" with high runners
	GTM strategy	5	One-size-fits-all primary MTS strategy	Tailored MTS, MTO and PTO strategies based on specific SKU and customer dynamics

Note: Make-to-Stock (MTS); Make-to-Order (MTO); Pack to Plan (PTP); Pack-to-Order (PTO); Overall Equipment Effectiveness (OEE). A matrix chart that shows the different benefits that can be gained by pursuing the combined strategy.

Coordinated attention to improvement levers in both product portfolio and supply chain management lead to new efficiencies and gains in several key areas.

Primary improvements

	Enhance portfolio and brand architecture	Improve P&L through cost savings	Unlock supply chain network capacity	Improve inventory DOH/working capital	Improve responsiveness and service reliability
	●	○	○	○	◯
	●	○	○	○	◯
	◯	●	●	◯	○
	◯	○	●	●	○
	◯	◯	●	●	●

Objectives addressed ● Primary ○ Secondary ◯ Minimal/none

Food manufacturer improves efficiency and competitiveness by reducing product complexity

The challenge

A global food manufacturer was struggling with insufficient production capacity and wished to streamline its product portfolio to eliminate unnecessary complexity. Leaders wanted a nimbler supply chain that could meet the evolving needs of the business while unlocking capacity to help meet new demand.

The solution

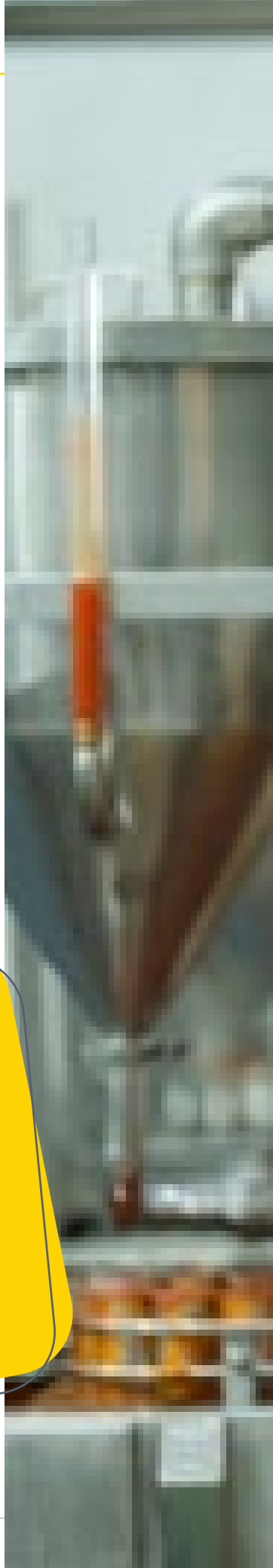
An EY-Parthenon team led an initiative to help simplify the product portfolio and align product segments across the supply chain. The result was a more efficient, tailored supply chain with significantly greater capacity and alignment and a redesigned product portfolio that enabled differentiated marketing strategies. New inventory modeling and processes at the SKU and distribution center levels helped maintain healthy inventories, freeing working capital and helping improve customer service.

The outcome

The company simplified its product portfolio by reducing the number of products by 20% and achieved a 5% increase in capacity across its manufacturing network, which helped increase sales. The changes significantly reduced inventory, and the unlocked capacity contributed to significant profitability gains.

This kind of coordinated approach can lead to a meaningful gain in competitiveness by improving production operational effectiveness while also delivering a more effective product portfolio.

By aligning supply chains with the different product profiles, organizations can segment the supply chain by product type, making it easier to develop tailored marketing strategies that serve the business more efficiently



Summary

Companies that take a coordinated approach to product portfolio planning can benefit from a streamlined portfolio that alleviates complexity in supply chain processes and enables a more efficient and competitive marketing operation. Improved supply chain efficiency and capacity helps improve competitiveness through lower costs, a greater ability to meet market demand and improved customer service.

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