

INFLATION, DISRUPTION AND SUPPLY CHAINS

VIDEO TRANSCRIPT

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For the first time in decades, inflation has become a challenge for almost all companies around the world and specifically in Europe.

In Germany, last March inflation reached 7% which is the highest since 1990.

Beyond this overall surge, certain commodities' prices are skyrocketing. Look at oil, gas, wheat and even services like transportation.

This is disruptive not only for the entire economy but also for certain industries.

No one knows how long it is going to last but the economists think it's here to stay, so we have to be ready for a world of high inflation.

How should supply chain managers respond?

The response to higher inflation is about resilient supply chain. What does it mean?

Three ingredients:

Better Visibility. Get the information in a question of minutes versus hours and days.

Decisions in the supply chain will have to happen much faster.

This is why our clients are setting up what we call a Control Tower.

The end-to-end visibility of their supply chain including tier 1, tier 2, tier 3 suppliers, so that you know exactly what's happening to your supply chain end-to-end.

Second, predictability. Our clients are setting up what we call Digital Twins which is a virtual version of a supply chain where they can test alternative scenarios and decide how they can mitigate inflation and volatility.

And finally, more flexibility.

You have to embed flexibility into your supply chain: dual suppliers, alternative logistical networks, alternative recipe, alternative design for your products, so that you can change depending on inflation, depending on the evolution of price.



These mean cost, but these are definitely worth investment in the context of high inflation.

Together with the MIT, Accenture has developed a Resilience Test to assess the resilience of each client's supply chain. And they can decide which are the priorities and where to invest in terms of flexibility.

So, time is for action.

Inflation should not be seen as a threat but as a strategic opportunity to create a competitive advantage.

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