

Overcoming the COVID-19 crisis with Maersk Flow

How we can support customers during these uncertain times

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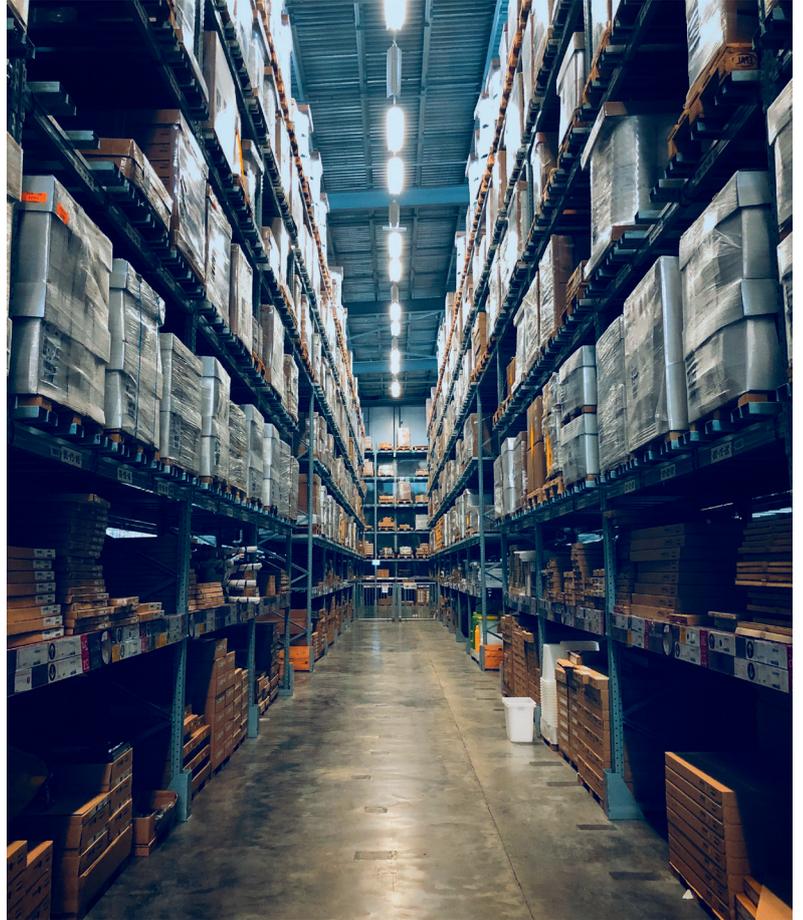
Summary

The global humanitarian and economic crisis following the Coronavirus outbreak will have extraordinary consequences across geographies and industries. Currently, limited data is available on the impact on Small and Medium Businesses (SMEs) which face several challenges specific to their size, set-up, and liquidity. Without processes and systems that help gain visibility and control over their supply chains, these companies will now, more than ever before, struggle to reign in their logistics operations. Maersk Flow offers a digital platform designed for action. Using smart workflows, it closes the gap between visibility and action, effectively saving time, effort, and money for our users and supporting their operations through times of usual business as well as crises.



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What is happening?

The outbreak of the Coronavirus (COVID-19) has already reached almost all communities, with governments across the world taking bold actions to decrease the number of patients and deaths as well as to mitigate the negative impact on the economy.

At the time of writing, the Organization for Economic Co-operation and Development (OECD) forecasted an annual GDP growth decline of 2% for each month that strict containment measurements are in place. This impact, however, will depend on many factors, making finite numbers elusive. The expectation is that the reported growth decrease would translate into an approximate 30% drop in sales worldwide. Preliminary news coming from USA seem to align with the OECD's expectations and confirm the expected downturn in sales.

There is limited evidence on how the Coronavirus situation will affect SMEs across the world. Analyses emerging from surveys suggest severe demand disruptions and mounting concerns on the liquidity of small businesses. Research from the Enterprise Survey for Innovation and Entrepreneurship in China (ESIEC) led by Peking University presents data from SMEs in China indicating that among the exporter industries, light industries of consumer goods will be the most affected. The OECD adds that the situation is worse for companies trading beyond their region (e.g. CN-USA) as they depend on the stability of two regions to be able to operate and grow.

Despite current efforts from Governments to support local businesses financially, it is still early to predict if they are enough to sustain most businesses. Overall, SMEs see higher levels of vulnerability to the potential supply and demand effects of the COVID-19 crisis and lower resilience related to their size or access to capital funding.

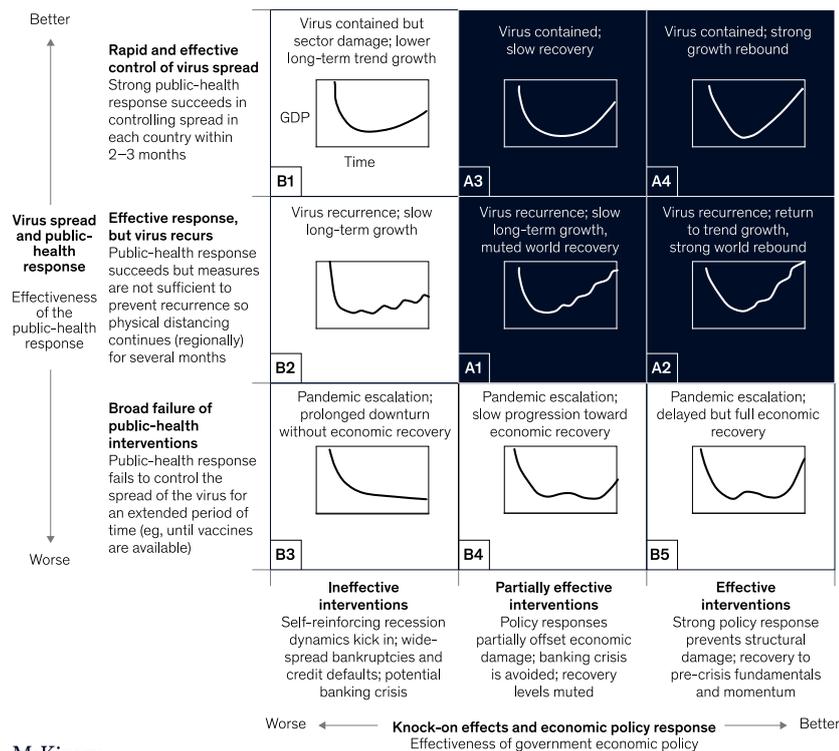
What can we expect moving on?

Coronavirus is not just a health crisis. Its impact can also be felt in the setbacks leading to the restructuring of global economic and social orders. It is crucial to examine what the new normal will look like. In a recently published brief, McKinsey suggests two variables that can be considered in order to understand what is to be expected down the road: (1) how well the spread of the disease is controlled; (2) the impact that it has on the economy.

Using this logic, they build nine potential scenarios based on which interested entities can identify most likely scenarios, evaluate outcomes, and prepare contingency and action plans for their scope of influence.

Scenarios for the economic impact of the COVID-19 crisis.

GDP impact of COVID-19 spread, public-health response, and economic policies



McKinsey & Company

McKinsey suggests that countries will experience a multi-phase cycle over several of these scenarios. As the Coronavirus crisis unfolds, the duration of each stage will vary based on the geographic and economic context of each country, the ability of national healthcare systems, and economic policies. The response to the virus' spread is tied to multiple variables including political stability, access to financing, existing healthcare infrastructure, and the ability to resource, as well as several socio-economic variables.

Collectively, how we respond to the virus in the present takes precedence over imagining a new future. The focus must be kept on winning one battle or stage at a time to safeguard lives and livelihoods as countries find a path towards the new normal.

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What is recommended for businesses to do?

In an analysis of the situation, Deloitte reports that most businesses are focusing on near-term survival as they take measures to protect their employees, assess business risk, and manage supply/demand disruptions. Also, a recent article published in the Harvard Business Review (HBR) suggests that efforts made in the past to optimise supply chains (reduce stock in transit, reduce costs, and increase speed) may hamper recovery now. It calls Coronavirus a wake-up call for Supply Chain Management.

Businesses must respond on multiple fronts simultaneously and focus on actions that will mitigate the immediate impact from Coronavirus as well as the medium and long-term impacts. The two strategic actions that are widely agreed to be taking care of creating resilience and capabilities that will see businesses through to the future are: creating transparency on multi-tier supply chains through visibility solutions and gaining control over cashflow.

HBR describes how those companies that have invested in visibility across their global teams and networks emerge better equipped to respond to disruptions and explains how visibility should extend from 1 to 2 degrees (the supplier's supplier) or more in order to effectively manage risk, both by decreasing the number of potential disruptions and increasing the resilience of the supply chain. Visibility for small businesses is also mitigation for a lack of supplier diversification. For many SMEs, supplier diversification to reduce supply disruption risks is not always an option. The solution is to supplement their supply chain with a robust visibility solution.

Deloitte urges businesses to gain control over their cash flow (e.g. through speeding up receivables, slowing down payables, reducing stock). Cash flow is also highlighted in a survey run jointly by the Tsinghua University and Peking University, where estimates show that 85 percent of SMEs in China will run out of cash within three months, and two thirds will run out of money in two months if the crisis does not abate.

When it comes to managing the current situation,

Deloitte makes an interesting breakdown between the buyer/seller role in managing supply chain risk and disruption:

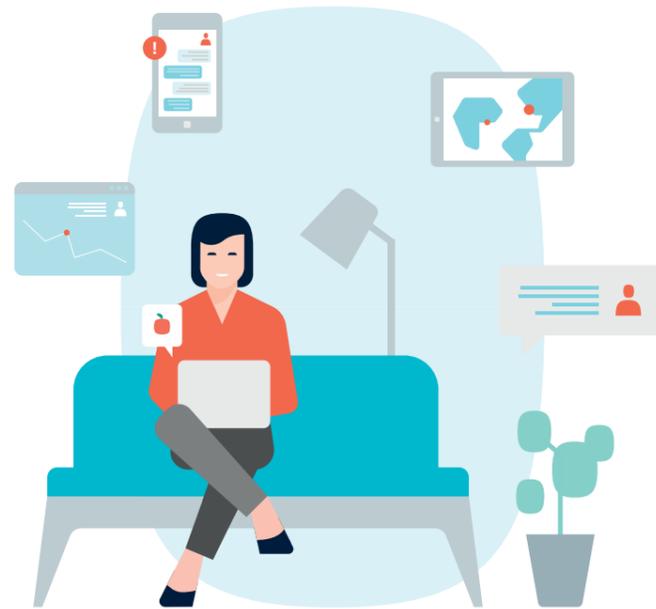
Buyers

- Focus on Tier 1 supplier risk
- Illuminate the extended supply network
- Understand and activate alternate sources of supply
- Enhance inbound materials' visibility
- Evaluate alternative outbound logistics options and secure capacity
- Conduct global scenario planning

Sellers

- Understand the demand impact that is specific to business
- Prepare for potential channel shifts
- Evaluate alternative inbound logistics options
- Open channels of communication with key customers
- Conduct global scenario planning

How can Maersk Flow help its customers to emerge from the current situation with a more resilient, crisis-proof supply chain?



Despite numerous supply-chain challenges inflicted by natural and economic disasters in the last decade, most companies still found themselves unprepared for a global scale pandemic. When disruption strikes, it is not uncommon for a logistics professional to find that vital information is not available.

Companies that struggle with visibility will work with disconnected data sourced across transportation management systems, enterprise resource planning solutions, partner platforms, and many other sources. To be usable, this disparate information needs to be aggregated and analysed to address a range of potential problems along the supply chain. However, compiling this data in a meaningful way without systems built for purpose is complex, time-consuming, and often relegated to the bottom of the priority list, behind immediate operational concerns.

This situation creates a significant gap between data, visibility, the ability to execute actions based on that visibility, and effectively take control over the supply chain. Research shows that companies that invest in supply chain visibility and better execution control benefit from their investment when disruptions happen because they can quickly shed light on their supply chains to understand the immediate and long-term impacts of disruptions.

Maersk Flow is designed for SMEs to gain control over their supply chain through actionable visibility that provides customers – both buyers and sellers – with the information they need, when they need it so that they can make better-informed decisions about their supply chains, both when the times are good and when disruption takes place. But, for Flow, visibility is just the start. It envisions a digital platform designed for action where customers have the ability to act on that visibility on the spot. Using smart workflows, it closes the gap between visibility and action, saving time, effort, and money.

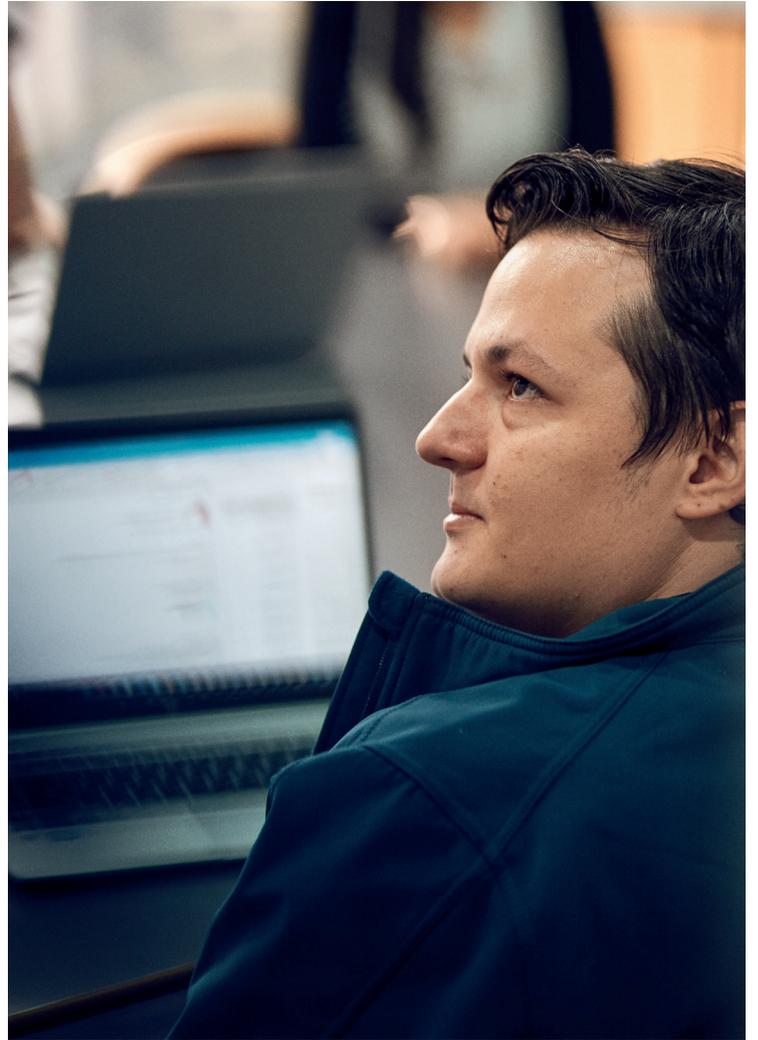
When the going gets tough, companies will discover that the values of visibility and execution control in times of crisis far outweigh the cost and time required to implement solutions. To help identify how Maersk Flow can support SMEs that are adjusting to the new normal after the pandemic, we have put together the below table summarising some of the challenges that SMEs might be facing and how Flow can help them stay in control:

Buyer/Consignee challenges	Seller/Shipper challenges	Service	How Flow can help
<p>Suppliers are becoming less reliable As suppliers face demand shifts or shortages on raw materials, cash, and labour delays on goods, ready dates are increasing. It is important to spot delays early and agree on an action plan with each supplier.</p>	<p>We are at risk of not coping with the demand It is important to get one overview of orders with SKU breakdown per customer to take corrective measures or align priorities with customers.</p>	PO Management	Flow Alerts will let customers and vendors know which POs are at risk of being delayed when bookings have not been placed, saving time and reducing errors in tracking activities.
<p>We need to gain flexibility to add new suppliers and new transport options to our process with ease Every supplier, carrier and FFW has their own way of working. In a context of fast change, we need to be able to make the process of changing partners smoother for our teams to be able to increase agility, reduce errors, and boost personnel engagement.</p>	<p>We need to gain flexibility to add new suppliers and new transport options to our process with ease Every supplier, carrier and FFW has their own way of working. In a context of fast change, we need to be able to make the process of changing partners smoother for our teams to be able to increase agility, reduce errors, and boost personnel engagement.</p>	Vendor Booking Carrier Booking	Flow's multi-carrier and multi-FFW approach enables customers to make choices that are best suited for their business in a scalable and structured way.
<p>We are dealing with more suppliers now and this is increasing the amount and complexity of communication we have with them While securing alternate sources of supply, the number of suppliers grows and the number of individual PO's increases. It is important to be equipped to deal with the growing size and complexity of the communication needs.</p>	<p>We are dealing with more customers now and this is increasing the amount and complexity of communication we have with them While securing new customers, the number of customers grows and the number of individual PO's increases. It is important to be equipped to deal with the growing size and complexity of the communication needs.</p>	PO Management Vendor Booking Carrier Booking Visibility	Flow improves communication with vendors by formalising and standardising the processes around purchase orders. Flow alerts the customers and vendors on what is outstanding and urgent by leveraging their PO, SKU, booking, container and document visibility.
<p>The disruptions or costs reduction initiatives have generated a work load increase amongst the logistics team With increasing workloads, our teams spend more time finding, gathering, and crosschecking data to find issues across the journey of all bookings.</p>	<p>The disruptions or costs reduction initiatives have generated a work load increase amongst the logistics team Our teams spend more time finding, gathering, and crosschecking data to find issues across the journey of all bookings.</p>	Alerts at PO, Booking, Docs level. Visibility at PO, Sku Booking and Docs.	Flow will aggregate all POs, booking, container and SKU data and Alerts will highlight where the customer can focus on to save time and reduce errors across the journey.
<p>The way we work has changed. We are not always sitting in the same location and we have a more part-time flexible workforce Since we can't meet often and work is passed from hand to hand, we need more emails and calls to ensure that as individuals we know what to do and as a team, we don't disrupt each other's work.</p>	<p>The way we work has changed. We are not always sitting in the same location and we have a more part-time flexible workforce Since we can't meet often and work is passed from hand to hand, we need more emails and calls to ensure that as individuals we know what to do and as a team, we don't disrupt each other's work.</p>	Web platform PO Management Visibility Booking detail view	Flow provides user accounts as and when needed and gives the same visibility, from standard workflow to speed handovers.
<p>Stock management requires more reports and a more detailed view of goods-in-transit. As cash runs short, stock-in-transit becomes an option to reduce the overall stock level. However, the collection of data to gain PO or SKU visibility is complex to create and difficult to maintain.</p>	<p>Stock management requires more reports and a more detailed view of planned demand Demand hindsight becomes critical to manage stock levels and capacity. However, the collection of data to gain PO or SKU visibility is complex to create and difficult to maintain.</p>	SKU visibility from PO submission to POD	Flow PO and SKU level filters will enable customers and vendors to quickly know the number and stage of SKUs of each, along with ETDs and ETAs.

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For Maersk Flow,
visibility is only
the beginning



Lack of visibility and control will often drive companies into a permanently reactive state where they struggle to coordinate their response to disruption and scramble to manually estimate the impact and take last-minute corrective action to prevent a full-force hit. When companies have access to knowledge on potential sources for disruption and the product impact involved, they have time to design and implement avoidance and mitigation strategies.

COVID-19 was an unpredictable event with severe economic, health, and humanitarian consequences. Those companies which run into this unprecedented scenario with inadequate supply chain visibility setups will be ill-equipped to meet the challenges that the global pandemic will leave in its wake.

In this context, Maersk Flow becomes more relevant than ever before; a digital platform that empowers logistics professionals to manage the flow of goods and documents better by simplifying logistics activities, improving visibility, control, and communications across the supply chain.

To learn more about Maersk Flow,
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