



# Supply Chain X-Ray

**SUPPLY RISK MITIGATION AND PROFIT IMPROVEMENT  
FOR AUTOMOTIVE AND INDUSTRIAL COMPANIES**



**EXPERTS WITH IMPACT™**



# LOGISTICS ROUTE

NETWORK: REAL-TIME

- Multi-modal
- Multi-user

If you think of the term “Supply Chain” today, it will likely evoke a response fraught with frustration.

These are unprecedented times in the amount of disruption industry supply chains have seen — both in terms of the magnitude of uncertainty as well as the duration. Initiated by the complete shutdown of global supply chains with the onset of the COVID-19 pandemic, the disruptions have persisted — exacerbated by a sequence of unpredictable and largely unrelated events — and have created raw material shortages and supply cost escalations across the board.

At FTI Consulting, we understand your concerns and are here to help navigate these uncertain times. With years of experience and expertise, FTI Consulting’s Automotive and Industrial practice has helped clients steer through numerous crises, mitigate disruptions and build resilient supply chains. With a passionate and compassionate approach — and an unrelenting focus — we’re ready to join hands with you to emerge strong together.

**Neal Ganguli**

Automotive & Industrial Business Transformation Leader



# The Issues – Supply Chain Disruptions, Raw Material Shortages and Price Escalation

The multi-pronged supply challenges are expected to continue into 2022 and possibly beyond, posing the potential for continued disruptions and profitability exposure for automotive and industrial companies. Companies are managing it the best they can.

## Supply Chain Disruptions



**Suez Canal Blockage**



**COVID-19**



**Natural Disasters**



**Geo-Political (Tariffs)**



**Demand Spikes**



**Globalization**



**Technology Demands**



**Labor Shortages**

## State of Businesses and Supply Chain Challenges

As the world recovers from the COVID-19 pandemic of the last 14+ months, supply chains that were shut down have started opening up but have been unable to meet surging demand.

Other events contributing to the disruptions include semiconductor shortages, scarcities in oil-based and rubber products, transportation capacity shortages, ongoing political unrest and trade negotiations, extreme weather events, etc.

Additionally, companies have been facing labor shortages due to COVID-19 precautions and available unemployment benefits/relief packages, which are keeping workers from returning to work.

Per a recent FTI Consulting survey, most (94%) companies experienced unplanned/unseen negative impacts from the pandemic, primarily shipping/logistics and offshore production disruptions and cost increases.

## Impact on Industry Players



Global supply chains are **more fragile and riskier** than ever, impacting costs, production schedules and shortages in raw material supply.



**Material costs and operating costs are increasing for component suppliers**, which they cannot often pass along to OEM customers.



**There is limited visibility** into the next “event” and an inability to react quickly enough.



**Freight capacity is scarce and causing long delays**, driving up freight costs by 25% or more, while **demand for logistics and warehousing is outpacing supply**.



**Profitability is eroding** due to increasing prices and lack of alternatives and/or adaptability to change.



Chip shortage expected to reduce 2021 global car sales by \$60-\$100 billion<sup>1</sup>



Transportation contracts and spot rates up 8%–15%<sup>2</sup>



Price escalations: copper up 100%<sup>3</sup>, steel up over 200%<sup>4</sup>, lumber up 250%<sup>5</sup>



Ocean freight up nearly 100%<sup>6</sup>

1. cnbc.com 2. freightwaves.com 3. greencarcongress.com 4. kcci.com 5. fox40.com 6. ibm.com

# How companies are reacting to the supply chain disruptions

While companies are discussing and investigating what is needed to address the recent disruptions, few have really analyzed their end-to-end supply chain to identify key issues and develop a proactive, prioritized plan of action.

## What companies are evaluating...



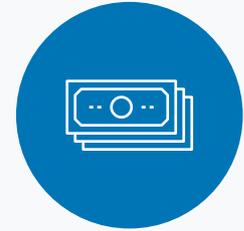
Near shore, re-shore and/or dual; source to reduce lead times and alleviate supply constraints, tariffs?



Increase inventories to circumvent long lead times, delays, shortages, etc.?



Collaborate with customers and suppliers to try to pass along some of the cost increases and “share the pain”?



Recast the business plans to reflect lower margins and higher working capital?

*“Every time a disruption happens, we talk about immediate changes, but do not often pause to take a deep look and fix problems.”*

– CTO of a Large Auto Company

## However, the reality is:



There is limited action on investment in technology or other solutions to solve the problem(s); 84% of chief supply chain officers stated that lack of visibility across the supply chain was the biggest challenge they face.<sup>1,2</sup>



Companies are developing point solutions and plans to mitigate specific supply chain and material availability issues, yet missing the opportunity to fix the big picture.



Companies are struggling to keep up with demand, and firefighting mode is inhibiting proactive solutions.



Researchers highlight that organizations are largely hunkering down during the pandemic, not knowing where the next disruption will hit.<sup>3</sup>



Excessive costs to develop alternative supply bases prohibit action.

1. 2019 IBM global C-suite study
2. [supplychaingamechanger.com](http://supplychaingamechanger.com)
3. [forbes.com](http://forbes.com)
4. [fticonsulting.com](http://fticonsulting.com)

## FTI CONSULTING'S SURVEY FOUND:<sup>4</sup>



Less than half of responding organizations have a strategic end-to-end (E2E) supply risk-management function or have developed risk mitigation plans and strategies.

# 71%

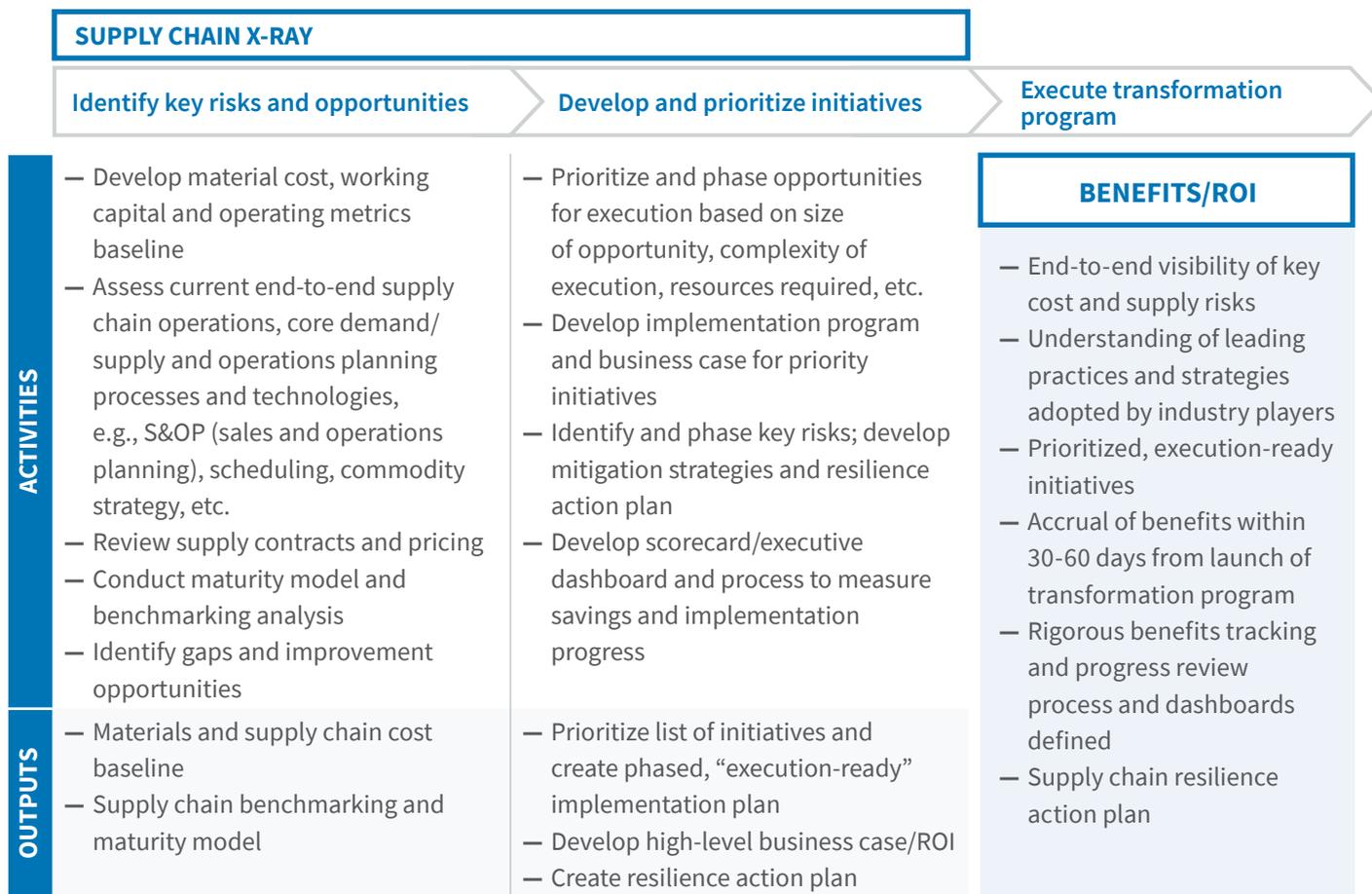
Many (71%) are reassessing global supply chain strategies including near- and on-shoring as a result of the pandemic.



Global and domestic companies are currently split on the impact of tariffs to their supply chains.

# Supply Chain X-Ray: Rapid assessment to identify and prioritize issues/opportunities

Supply Chain X-Ray can be conducted rapidly (~3-5 weeks in most cases) to enable clients to identify and prioritize critical supply issues and cost risks and develop a set of opportunities to improve profitability and increase supply chain resilience.



## CASE STUDY

# GLOBAL INDUSTRIAL AND AUTOMOTIVE CLIENT

In context of a strong financial year, the client sought to emerge from the COVID-19 pandemic even stronger to capture market share in North America. To enable the lean North America team to focus on the highest-value activities, FTI Consulting was engaged to examine opportunities to optimize supply chain operations.

### IMPACT

- Our experts identified, evaluated and prioritized 20+ cost and process optimization opportunities totaling 15%–20% efficiency improvements across the supply chain.
- We designed and validated over a dozen process and sub-process maps across the supply chain function.
- Our team implemented solutions for vendor lead-time, slow obsolete inventory and safety stock levels, resulting in inventory savings.

## CASE STUDY

# LEADING U.S. AUTO PARTS MANUFACTURER AND DISTRIBUTOR

The company was seeking to identify cost savings opportunities within its aftermarket business unit, with a focus on distribution strategy and logistics. Distribution synergies within two independent business units were lacking due to differences in the customer mix and shipment types between the different business units. The FTI Consulting team was tasked with analyzing distribution synergies for multiple scenarios: new facility consolidation in current location or moving to a completely different geography.

### IMPACT

- We identified an optimal location for the distribution center that would contribute 12%–15% logistics and transportation savings on an annual basis.
- We recommended consolidation of multiple warehouses in the same city, which would result in significant fixed-cost and operations cost savings with minimum disruption to operations.
- Our team addressed the impact of operations on a large-scale distribution center location change and outlined a risk mitigation plan for implementation.

## CASE STUDY

# INDUSTRIAL PRODUCTS COMPANY

FTI Consulting was engaged to perform a network optimization study of the client's current facility footprint. Current-state operations were modeled, including related fixed and variable costs under various scenarios.

### IMPACT

- We optimized the client's distribution center network and reduced overall facility costs.
- We reduced operational costs related to various constraints in the customer's supply chain, such as geographic demand, production capacity, transit time and inventory holding capacity.
- Our team identified over \$4 million (12%) in annual cost reductions for the client relating to warehousing, labor and transportation.

## CASE STUDY

# LEADING U.S. TRAILER MANUFACTURER

The client company was made up of three separate but related companies that had not yet been fully integrated. Each company/division was buying parts separately — in many cases, interchangeable parts from different suppliers, and at different pricing.

### IMPACT

- Our experts identified ~3% "quick hit" savings available immediately and another ~5%–6% in the short to medium term.
- Our team drove the merger integration work across the three divisions by organizing all parts into common categories, and we helped to drive an understanding of both current and future delivered pricing.
- We prepared a comprehensive and dynamic bid analysis model and savings tracker. This tool was transitioned to the client at the close of the engagement, which allowed them to continue to track delivered savings from the RFP process.

# Starting to work with you

FTI Consulting is uniquely positioned to start working with you and deliver results rapidly.



## Deep Industry Expertise

- Automotive and industrial practice with deep experience across the value chain — OEMs, suppliers, aftermarket
- Senior practitioners with operating experience in industry
- Well-recognized thought leaders that have held leadership positions in the industry
- breadth of capabilities across strategy, enterprise transformation, operations and supply chain, transactions and M&A, restructuring and interim management



## Accelerated Results-focused Approach

- Not a “study” – results focused, actionable outcomes with clearly laid out case for change
- Fast path to implementation with quick hits
- Fact-based and analytical approach, with business judgement to drive action plans
- Unique accelerators and toolkits to deliver with speed and efficiency
- Address key performance indicators and early warning metrics: ability to respond fast

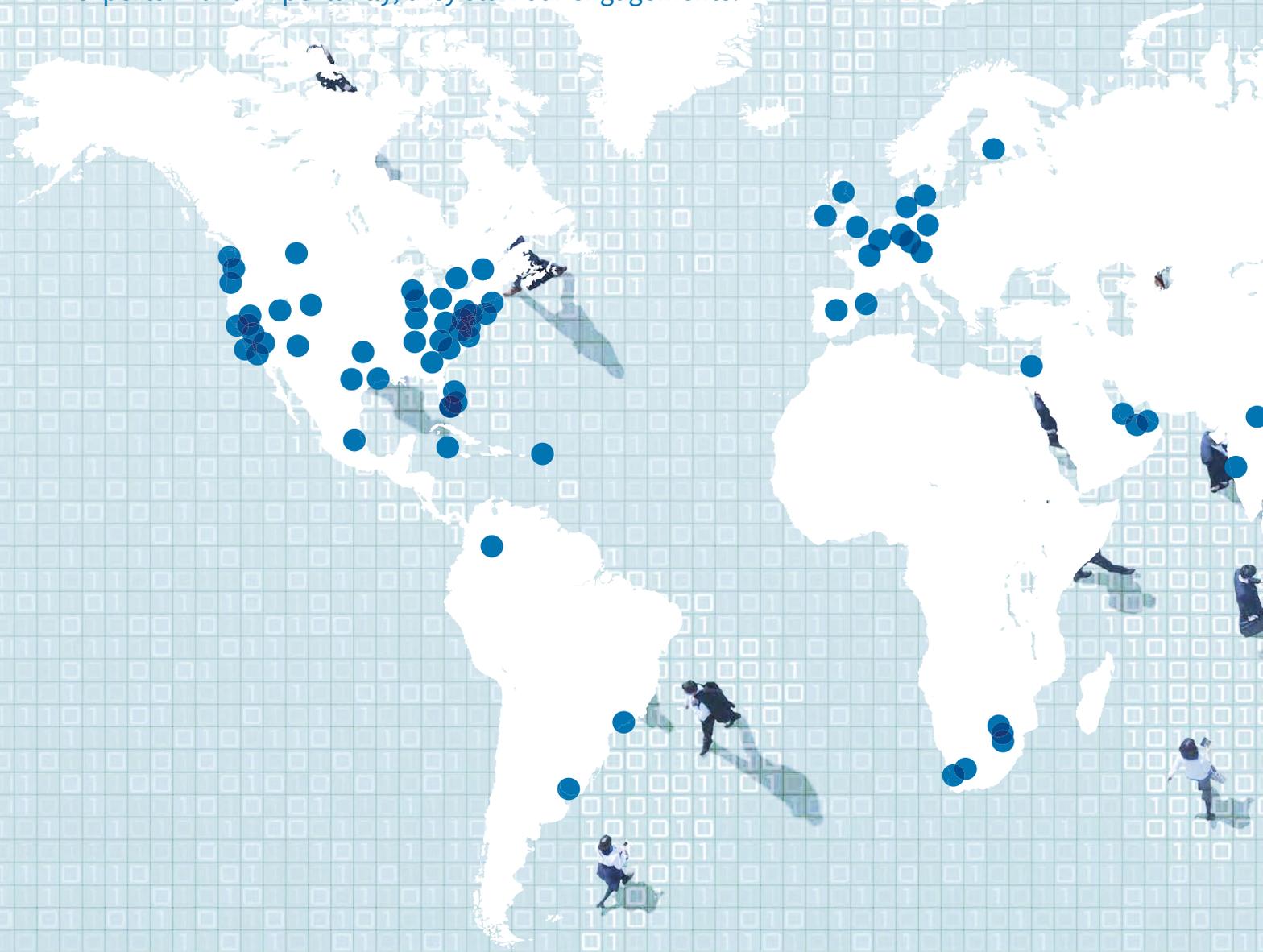


## Collaborative and Holistic View

- Collaborative, not intrusive
- Work closely with clients, without overwhelming time demands
- Connect “siloed” information from across the organization to develop insights
- Analytics provide cross-functional visibility and help get consensus across the organization
- Develop proactive risk mitigation and change-management plans

# Why FTI Consulting?

We partner with our clients to support high-impact change that focuses on driving revenues, reducing costs and improving productivity. Our senior professionals have worked in your industry, know your business, understand your market and are proven functional experts – and importantly, they staff our engagements.





● FTI Consulting offices

## What Makes FTI Different?



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### Industry Experts

We always couple our operational experience with leading industry experts who understand your specific needs.

Solutions are never “cookie cutter” or based on templates: our recommendations are tailored, specific and actionable.



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### Experienced Operators

We have stood in your shoes and understand the competing stresses that underpin decisions.

We are deeply mindful that our solutions need to be practical and implementable.



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### Senior On-the-Ground Teams

Industry operational expertise means our teams have a very low senior-to-junior staffing model.

You will get senior practitioners on site who require minimal ramp-up time and will be sitting side-by-side with you.

# Meet Our Experts



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Keith Cooper specializes in providing operational, financial and business process transformation services to global companies. Mr. Cooper has more than 35 years of experience, including industry expertise across a wide range of sectors such as freight and logistics, manufacturing (furniture, textile, consumer products, medical products and steel), food and agriculture, oil and gas, health care, retail (clothing, specialty and automotive) and information technology distribution.



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Neal Ganguli is the Automotive & Industrial Business Transformation Leader, specializing in strategy development and execution efforts with C-level management teams to enhance company performance and profitability. Mr. Ganguli is a seasoned business executive and leader with a 20-plus years of experience. He has a background of private equity operations and management consulting, strong performance improvement and restructuring experience, leadership skills and the ability to work with management teams to influence change and implement top-priority initiatives.



## **RON SCALZO**

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Ron Scalzo has more than 30 years of experience in providing operational, financial and business process transformation to global companies.

Mr. Scalzo advises senior management and boards of directors for both healthy and distressed companies. He is an expert in refining operational strategy and operational effectiveness while delivering accelerated value creation. Mr. Scalzo's experience in creating and implementing strategy execution programs that deliver sustainable performance improvement includes operations, supply chain, revenue enhancement and enterprise cost reduction.



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Rick Jordon specializes in operations and revenue growth within transportation and logistics. He has more than 25 years of global supply chain and logistics experience, providing clients with a worldwide viewpoint and insights to drive continuous improvement and operational value enhancement. His expertise overlays numerous industries, including telecommunications, consumer goods, grocery and retail, industrial and oil and gas.



## EXPERTS WITH IMPACT™

**FTI Consulting** is an independent global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. FTI Consulting professionals, located in all major business centers throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges and opportunities.

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