

Recession Looms — The 3 Things Procurement & Supply Leaders Must Do Now: Ensure Supply Continuity, Cut Costs and Strengthen Cash Flow

Clark, N.J. – March 20, 2020 – GEP, a leading provider of procurement and supply chain strategy, software and managed services to Fortune 500 and Global 2000 enterprises worldwide, gathered guidance from clients adversely impacted by coronavirus COVID-19, since purchased and supply chain costs typically account for 50-80% of global manufacturers' total cost structure.

"We find that while most companies are simply scrambling to maintain normalcy as they manage this crisis, they are incurring additional costs to maintain supply and are failing behind in initiatives to drive efficiencies and cut costs, in order to prepare for the coming economic downturn," said John Piatek, vice president of consulting, CPG and Retail, GEP.

We've found procurement and supply chain leaders should:

- 1. Drop Everything to Ensure Continuity of Supply:** Companies need to use their reach and every possible tool to help address their Tier 1 and 2 suppliers' challenges; create multiple redundancy and scenario plans; and ramp up sites to store inventory away from quarantine or potential quarantine zones.
- 2. Improve Cash Flow:** In the near term, the cost of the supply chain will increase as manufacturers consider expedited shipping and pay overtime labor costs to meet customer commitments. However, multinationals must also initiate supply management cost reduction programs immediately to improve their future cash flow and preserve their profitability.
- 3. Accelerate Initiatives to Create Long-Term Supply Agility:** We're seeing major companies in nearly every industry, including semiconductors, autos and medical equipment, accelerate their plans to shift part of their supply from China to diversify geographically and avoid a total loss of supply in the future. These shifts are not quick, but steps need to be taken now to build agile supplier partnerships and infrastructure. It is essential, not "nice to have."

About GEP

GEP helps global enterprises operate more efficiently and effectively, gain competitive advantage, boost profitability, and maximize business and shareholder value.

Fresh thinking, innovative products, unrivaled domain and subject expertise, and smart, passionate people — this is how GEP creates and delivers unified supply chain solutions of unprecedented scale, power and effectiveness.

Named a Leader in Gartner Magic Quadrants, Winner for Best Procurement Software and Best P2P Provider at the World Procurement Awards, Best Procurement Consultancy at CIPS Supply Management Awards, and Best Provider at the EPIC Procurement Excellence Awards, GEP is frequently honored as an innovator and leader in source-to-pay direct and indirect procurement software by Gartner, Forrester, IDC, Procurement Leaders, Spend Matters and CPO Rising.

GEP is also ranked leader in managed procurement services (procurement outsourcing) by Everest Group, NelsonHall, IDC, ISG, HfS and IAOP. In addition, the primary research firm in the management consulting sector, ALM Intelligence, ranks GEP leader in procurement strategy and supply chain consulting.

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