



Understanding the sector impact of COVID-19

Industrial Products & Construction

As the effects of COVID-19 are felt around the world, many global industrial products companies are facing production stoppages due to supply chain disruption and workforce dislocation. While many factories in the affected regions in China have come back online, they are still not operating at full capacity. Companies generally expect continued supply disruption, cost escalation, and product delivery delays in the coming weeks. In the mid-term, the sector will likely be hampered by decreased global demand.

Potential long-term impact on industrial products companies

Longer term, industrial products companies will need to examine their overall supply chain strategies to mitigate risks, improve agility, and ensure supply security. In addition, companies will need to re-evaluate market conditions and adjust their operations in light of the new normal. This suggests that industrial products organization may:

- Postpone significant investments.
- Take a more holistic view of potential risk.
- Be more selective about the products they manufacture.
- Pursue greater vertical integration and inorganic growth if they have the excess cash to do so.

Key questions executives and boards should be asking

- How do we safeguard our own people first?
- How can we assess and mitigate risk throughout the entire supply chain?
- How do we use communication strategies and public relations to comfort our stakeholders, communicate our response, and position ourselves in the market?
- What is the new normal in terms of market conditions and what does it mean to us financially?

Practical next steps

Industrial products leaders will be defined by what they do along the three dimensions of managing a crisis: respond, recover, and thrive. Some key next steps include:

- Control discretionary spending and conserve cash in order to keep operating.
- Secure capacity and inventory by working closely with Tier 1 suppliers and activating alternative sources.
- Plan for the worst by identifying likely supply chain disruptions and developing contingency plans.
- Keep customers close by engaging with them, understanding their needs, and providing incentives and support.

For additional steps that companies should consider taking, visit:
www.deloitte.com/covid19-resilient-leadership



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