



## Strategies for Survival: a Perspective on the Chemical Industry

Tim Bett will present his observations on the impact of the recession on the chemical industry and the role of supply chain management in “strategies for survival.” This analysis will draw from his recent experience as Supply Chain Director of DSM and prior to that, as European Logistics Director at Rohm and Haas.

The recession has had a profound impact on the chemical industry with reports of a sudden 30-40% drop in demand not uncommon. However, it is the recession coupled with both uncertainty/volatility and underlying industry dynamics, which makes navigation so difficult. It is difficult to plot the way forward when key variables such as the oil price, feed stocks and exchange rates are moving erratically in such a broad range. At the same time, there is over-supply in the industry, which is fuelled both by the recession and by the increase in capacity in the Middle East.

Given the dominance of these macroeconomic factors, Global Distribution Strategies are only appropriate where they directly support the Business strategy. However, supply chain management can add significant value at the micro level, where it can take a leading role in helping Businesses to adapt and change to the current economic circumstances.

When the recession hit, the immediate strategy for survival focused on cash flow. Here, supply chain management is well placed to facilitate the release of working Capital tied up in inventories as well as minimise future requirements. Once the “crisis management” phase is weathered and as the situation stabilises somewhat, the focus moves to ensuring that the key planning processes (e.g. S&OP) are agile and that the Business can anticipate/react quickly to changes in demand. Visibility throughout the length of the chain is critical, as information should increasingly substitute for inventory.

This is a difficult time of Service Providers! Whilst Tim argues that Manufacturers should renew contracts rather than outsource, at this time - LSPs are still faced with the problem of how to change their business models enabling them to continue to really add value, when low cost, operational excellence is a given. There is no doubt that manufacturers are being driven to adapt to survive (eg. showing a greater willingness to collaborate) but are the LSPs rising to the same challenge?

We shall see the future winners emerging, as and when, global economies begin to recover. Their success will partly attributable to their preparation for the recovery and their recognition of future key success factors, as well as their timing and ability to invest.

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