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COO insights

PwC US Pulse Survey—October 13, 2020 findings



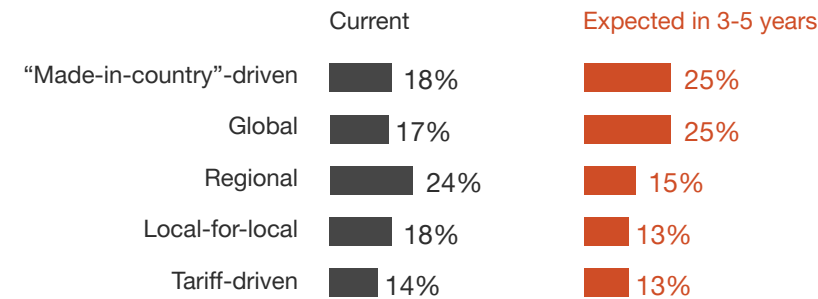
Post-pandemic model for manufacturing starting to take shape for US COOs

The single-location model for manufacturing is losing its hold on US operations leaders responsible for supply chains. Instead, as executives take in all of the lessons learned throughout the pandemic and trade policy shifts, different ideas about the optimal footprint for manufacturing are taking shape, findings from PwC’s survey of chief operating officers (COOs) show. Their outlooks for manufacturing models indicate:

- **Globalization is not in retreat, but it’s in flux.** COOs expect their strategies to shift toward diversifying manufacturing footprints by location. For some, this will be done by bringing the almost-finished product closest to the local market where it can be customized for local demand and drive revenue. In 3-5 years, 25% of COOs anticipate this “made-in-country” driven strategy to be in place for their company (vs. 18% currently).

- **COOs are trying to balance being customer-centric and trade policy-wise** with maintaining economies of scale that they expect from a global hub. This puts pressure on regional or local-for-local manufacturing models, where all production takes place in a region or a country specifically for that market. Though 24% describe their manufacturing strategy as “regional,” only 15% anticipate holding such a strategy 3-5 years in the future.
- **Outsourcing is primed to play a more important role in supply chain strategies.** In the near term, COOs are looking for ways to respond to demands for lower production costs. In the long run, more outsourcing in manufacturing would show a rising tolerance for standardization within products (or SKUs), a trend that would support models more reliant on a global hub and final-stage service centers.

How COOs see manufacturing strategies evolving



Q: Which of the following statements best describes your current manufacturing strategy? (Select all that apply.)
Q: Which of the following best reflects what you expect your manufacturing strategy will be in three to five years? (Select one.)
Tariff-driven (2+ locations serve all our markets with late-stage assembly elsewhere due to favorable trade preferences)
“Made-in-country”-driven (2+ locations serve all our markets with late-stage assembly elsewhere to meet local content requirements)
Regional (locations serve markets within a region)
Local-for-local (locations in country to serve that market)
Source: PwC US Pulse Survey
October 6, 2020: COO base of 60

Top findings

Sixty operations leaders from Fortune 1000 and private companies, along with other C-suite executives, weighed in on policy-related issues in our latest [PwC US Pulse Survey](#), fielded September 30, 2020 to October 6, 2020. Find these insights in our [Road to Election 2020](#) report. In the ongoing survey, COOs also shared their perspectives on other top-of-mind issues, including strategies for supply chains.

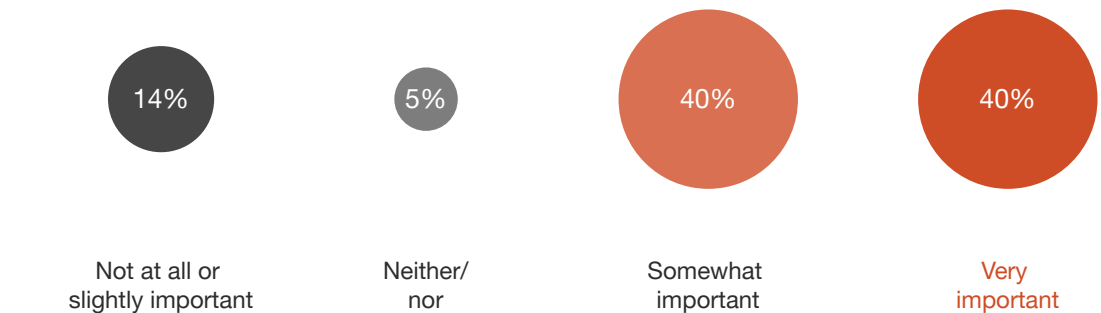
COOs see need for more changes in supply chain to improve profitability

The C-suite continues to look toward operations leaders to find ways to help contain costs and preserve cash for the organization. Most COOs (80%) say it's important to make additional changes to supply chains over the next 12-24 months in order to improve profitability, with 40% saying this is "very important" to the company.

In all likelihood, these outlooks signal fresh rounds of cost actions related to procurement and/or production in the near term. This isn't surprising, with 28% of CFOs PwC surveyed expecting revenue or profits to increase over the next 12 months. Responses could range from shuttering capacity to looking for ways to improve performance of existing assets to outsourcing. Here are two additional actions that some COOs are taking to help lower supply chain costs:

- **Rapidly renegotiating contracts:** The pandemic has affected nearly all companies (and economies) but has not done so equally. Some suppliers are well positioned to raise prices. At the same time, companies are looking to secure alternatives in order to lessen the impact of any new waves of infection affecting operations and/or end markets. Quantifying the "next best alternatives" for suppliers can allow buyers to push for pricing concessions—and long-term price decreases.
- **Streamlining product offerings:** Some companies have already reduced the number of products or services they have in market (SKUs) by necessity, but with end customer demand in a state of flux, this is the time to push the "reset" button on some legacy SKUs that are no longer commercially attractive.

COOs: Supply chain changes are key to profitability in 2021



Q: How important is changing your supply chain footprint to your company's profitability over the next 12-24 months?
Source: PwC US Pulse Survey
October 6, 2020: COO base of 60

Beyond low-cost, a favorable tax-trade environment matters most in supply chain strategy

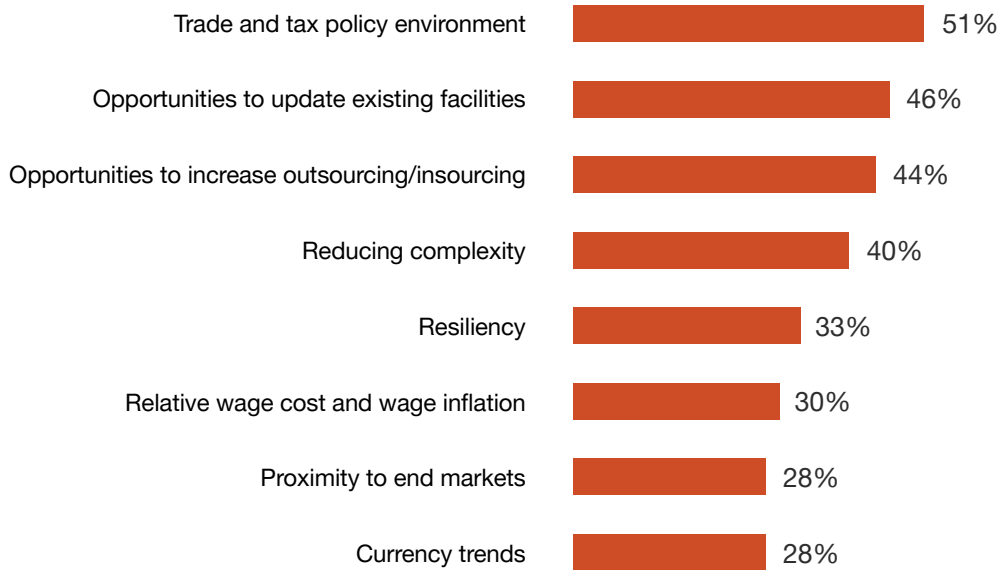
COOs place greater weight on supply chains that are optimized for favorable trade and tax rules. They also include finding ways to update existing facilities and opportunities to increase outsourcing or insourcing among top considerations in supply chain strategies. Many executives associate outsourcing with back office activities like payroll and IT services. But with over half of respondents from industrial products companies, many executives are also considering outsourcing parts of product manufacturing as a way to lower production costs.

In a sign of the times, the trade and tax policy environment was the only consideration that a majority of COOs ranked among their top three (51%). Companies are mindful of the impacts of tariffs and preferences and/or investment incentives given cost constraints, as well as the increase in the use of tariffs or other trade measures by the US. [A recent PwC analysis](#)

suggests that US manufacturers are poised to capture supply chain-related cost savings and improved resilience by reconfiguring their global footprints in light of changed tariff environments, rising labor costs in China, and the ratification of the USMCA, among other factors.

The watchword for the moment is agility. How operations leaders plan to respond to the outcome of the US elections in November is a case in point. Some say they’re likely to alter course on China. If former Vice President Biden is elected, 42% of business leaders say they’re likely to increase investment and trade with China, while just 13% expect the same if President Trump is re-elected. To compare, close to half of respondents say that the outcome of the election isn’t likely to have an impact on their plans that relate to North America (USMCA).

COOs rank factors driving current supply chain strategies



Q: How much weight do you give the following in your current supply chain strategy? (rank responses, showing % placing top three, excludes 'not sure,' 'not applicable')
Source: PwC US Pulse Survey
October 6, 2020: COO base of 60

Latest findings: Road to election 2020

No matter who occupies the White House next, business leaders must anticipate what policy and regulatory shifts will mean. The election focuses on big issues, such as economic stability, the role of government programs in driving economic recovery, and responsibility of business in creating domestic jobs and championing diversity and inclusion. See what's top of mind and keep up with perspectives on how your company can be more agile and responsive to whatever comes next.

[Learn more](#)

Past surveys

To view data and insights from previous PwC US Pulse Surveys, please see below.

[September 15, 2020](#)

