

FORECASTING GEOPOLITICAL AND MACROECONOMIC COST PRESSURE IN SOURCING

INDUSTRY

Retail

GEOGRAPHY

South and Southeast Asia

OUR ROLE

Identify and quantify opportunities for supplier diversification, decrease client exposure to geopolitical risk

FEATURES

Resiliency planning
Scenario planning
Geopolitical forecasting
Economic modeling

CLIENT'S PERSPECTIVE

A leading **Europe-based apparel retailer** was concerned about increasing cost inflation across its operations. In particular, the leadership team saw acute increases in its **sourcing costs** in Asia, as it worked to **diversify its supplier base** away from China, as well as **unpredictable cost variability** across different potential suppliers. The team considered that while efforts had been made to ensure operational efficiency and agility in securing the best possible supplier base, much of the explanation for the increases and variability could be due to **external risk factors** such as labor availability and production inputs – and **how those factors would play out** in the next few years for different suppliers across countries in South and Southeast Asia.

THE CHALLENGE

External, qualitative factors bearing on supplier costs and reliability are hard to identify, quantify and forecast -- but they can be the difference between a successful and a failing sourcing strategy. Much of the cost inflation so far – and for the foreseeable future – will be driven by political, macroeconomic and demographic risks, such as taxes and incentives, commodity prices, and access to reliable infrastructure.

Moreover, the global redesign of supply chains is already putting pressure on emerging sourcing hubs and driving up costs. As most companies move their supplier base to South and Southeast Asia, overall costs increase, opportunities are harder to find and deals are harder to procure, putting a premium on **granular analysis and forecasting of supplier costs and reliability.**

ONYX SOLUTION

Onyx focuses on building actionable insights at the intersection of economics and politics. Our team of geopolitical and macroeconomic experts is uniquely positioned to:

- Forecast the key political and economic factors driving supplier costs in select countries in South and Southeast Asia
- Quantify the impact of those factors over suppliers and assess future cost increases
- Forecast risks bearing on supplier reliability, including infrastructure and security
- Forecast resulting impacts on client's cost base



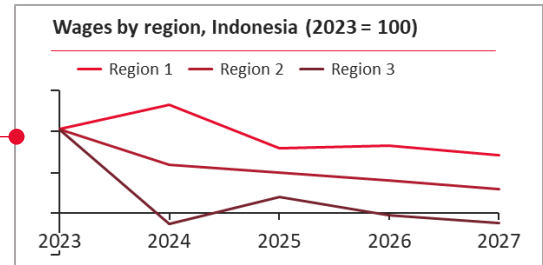
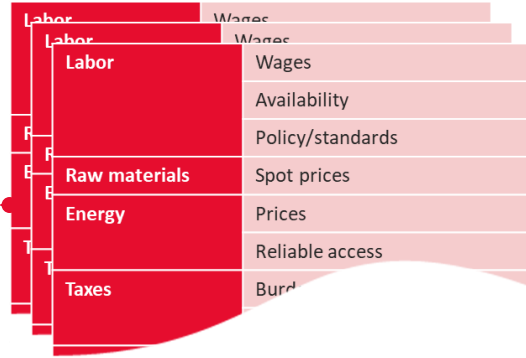
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OUR APPROACH/DELIVERABLES

- 1 Develop **standard outside-in supplier P&Ls** by country/category and **identify top cost items**
- 2 Identify **macroeconomic and political factors impacting top supplier cost items** identified
- 3 **Model 5-year forecasts** for macroeconomic and political factors identified (e.g., labor laws/policy and impact on wages, commodities) and alternative scenarios
- 4 **Plug model forecasts and scenarios into supplier P&Ls** to build costs projections by country/ category to **quantify future cost inflation**
- 5 Assess supplier **exposure to reliability risks** (e.g. quality of infrastructure, security and political instability) and risk-adjust supplier cost forecasts
- 6 **Plug forecast results into client’s cost base and derive scenarios/likelihood for cost base increases**



Indonesia	2023	2024	2025	2026	2027	CAGR
Bangladesh Apparel	2023	2024	2025	2026	2027	CAGR
Net revenue	100	125	136	149	140	xx%
COGS	xxx	xxx	xxx	xxx	xxx	xx%
Of which: labor	xxx	xxx	xxx	xxx	xxx	xx%
Of which: raw materials	xxx	xxx				xx%
Of which: utilities	xxx					
Gross profit						

PROCESS

- Timeframe: ~12 weeks
- Sources: Onyx analysis, proprietary data, external data providers

CLIENT VALUE

- A **QUANTIFY RISKS AND FIND BEST OPTIONS**
Identify and compare the cost/risk of sourcing options to inform strategic choices
- B **MITIGATE EXTERNAL COST RISKS FROM POLITICS AND MACROECONOMICS PROACTIVELY**
Incorporate external risks into your sourcing strategy to be best positioned to control and mitigate exposure
- C **MAKE INFORMED STRATEGIC DECISIONS**
By understanding the key drivers of cost/benefit, prioritize risks and opportunities and make conscious decisions based on those trade-offs



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Build strategy and manage risk through the lens of geopolitics and macroeconomics.

Understand the forces shaping the future of your organization

Assess their economic impact

Separate noise from signal

Find better options

OUR DIFFERENTIAL

We see the world differently.

100+

countries

350

locations

A unique global network

We are a division of Expeditors, one of the world's foremost supply chain companies. Our core team of global, regional and industry experts is complemented by our extended network of logistics and supply chain practitioners on the ground in 350 locations in 100+ countries globally.

Quantifying impact is at the heart of our value

We believe that geopolitics and macroeconomics can shape any business. But understanding them is only half the story: we combine qualitative analysis and proprietary data to quantify impact on your business and produce actionable insights.

We focus on what matters

We fully integrate macroeconomic and geopolitical analysis, unlike any other consulting firm. Our approach is tailored to the issues, geographies and industries you care about, and not boiling the ocean. We focus on getting to the so-what of politics – so you don't have to.

OUR SERVICES

We meet you where you are.

Consulting engagements

Tailored projects to identify insights, risks, and value drivers. Our experts collaborate with you to incorporate findings into your organization's strategy and planning.

Retainers

An ongoing relationship to ensure decisions remain aligned with emerging events.



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Build strategic resilience and adaptability

Strengthen risk management

Improve competitive positioning

HOW WE CAN HELP

Our capabilities help you address critical issues on global and regional strategy, supply chain resilience and risk management, including if you are:

- 01** Considering changing your global, regional or country-level strategy
- 02** Contemplating new market(s) for your products or services
- 03** Planning sourcing from new markets
- 04** Concerned about anticipating geopolitical risks to our existing strategy
- 05** Evaluating a potential partnership/JV
- 06** Conducting M&A due diligence

GLOBAL, REGIONAL, AND INDUSTRY EXPERTISE

Strength in numbers

Our project teams include experts in economics, geopolitics, policy and industry, drawn from our in-house practices and extended expert network covering a wide range of topics:

- Global, regional and country analysts
- Industry experts, including technology, retail/consumer, industrials and mobility/auto
- Energy and commodities
- ESG

PROPRIETARY DATA AND ANALYTICS

Data is at the heart of our work.

With proprietary data and analytics we quantify scenarios, assess future impact on client businesses, and elicit real trade-offs among strategic options.

We focus on the intersection of global, regional, country and client-level data to produce unique insights.

Our strength lies in the uniqueness of our data and modelling. We invest in analyzing and forecasting strategic variables typically overlooked by traditional data providers.

UNIQUE GLOBAL NETWORK

On the ground, in real time.

Covering 350 locations in 60+ countries, our network of on-the-ground supply chain and logistics experts is unique.

It allows us to develop unique strategic perspectives based on real-time developments on the ground. It adds strength to our client work by connecting strategic-level analysis with operational realities.

We keep our feet firmly on the ground and bring in our own field experience to produce unique insights.



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