



# *"Winning in Uncertain Times"*

Competitive and regulatory business context with higher cost and profitability challenges

NOVEMBER 2019





# Disruption is everywhere...

Changing the portfolio of the world's most valuable companies...

## Largest US companies in 2018 versus 2008

2008

2018

Rank	Company	Age (in 2008)	USbn	Rank	Company	Age (today)	USbn
1	Exxon	138	492	1	Apple	42	890
2	General Electric	116	358	2	Google	20	768
3	Microsoft	33	313	3	Microsoft	43	680
4	AT&T	113	238	4	Amazon	24	592
5	Proctor and Gamble	171	226	5	Facebook	14	545



Median age: 114 years

29 years

# At home - 40% of NIFTY top 50 exited the index in last 4 years; NCLT cases grew 3x in 4 years

## NIFTY

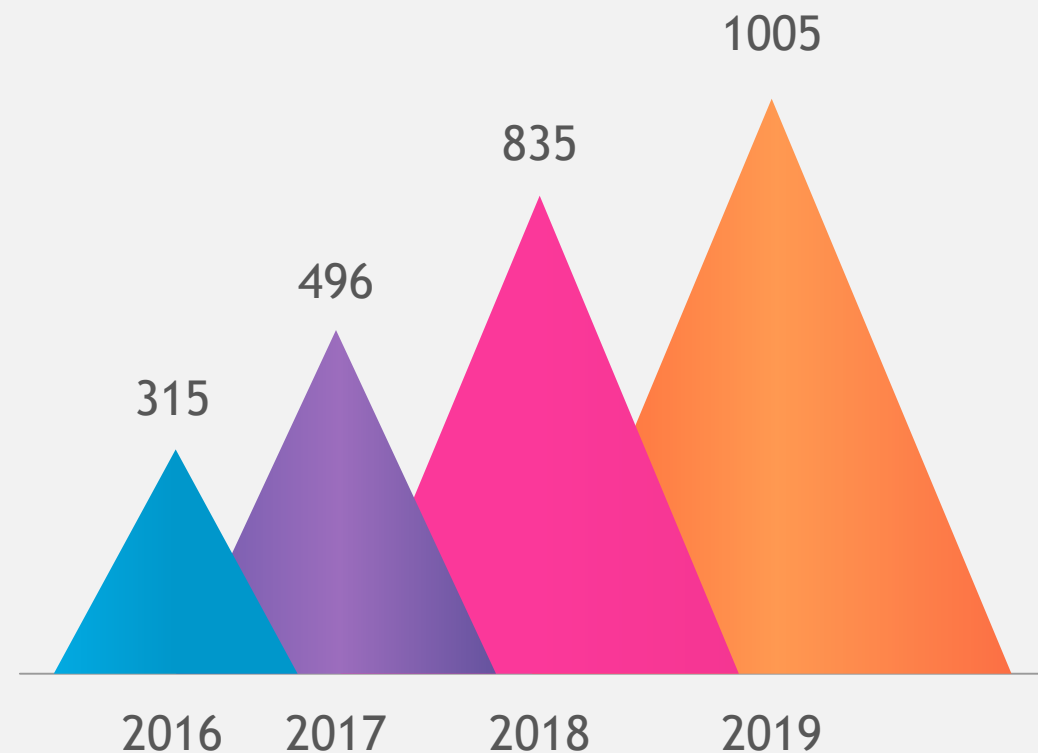
### Exited the NIFTY since 2015



### Joined the NIFTY since 2015



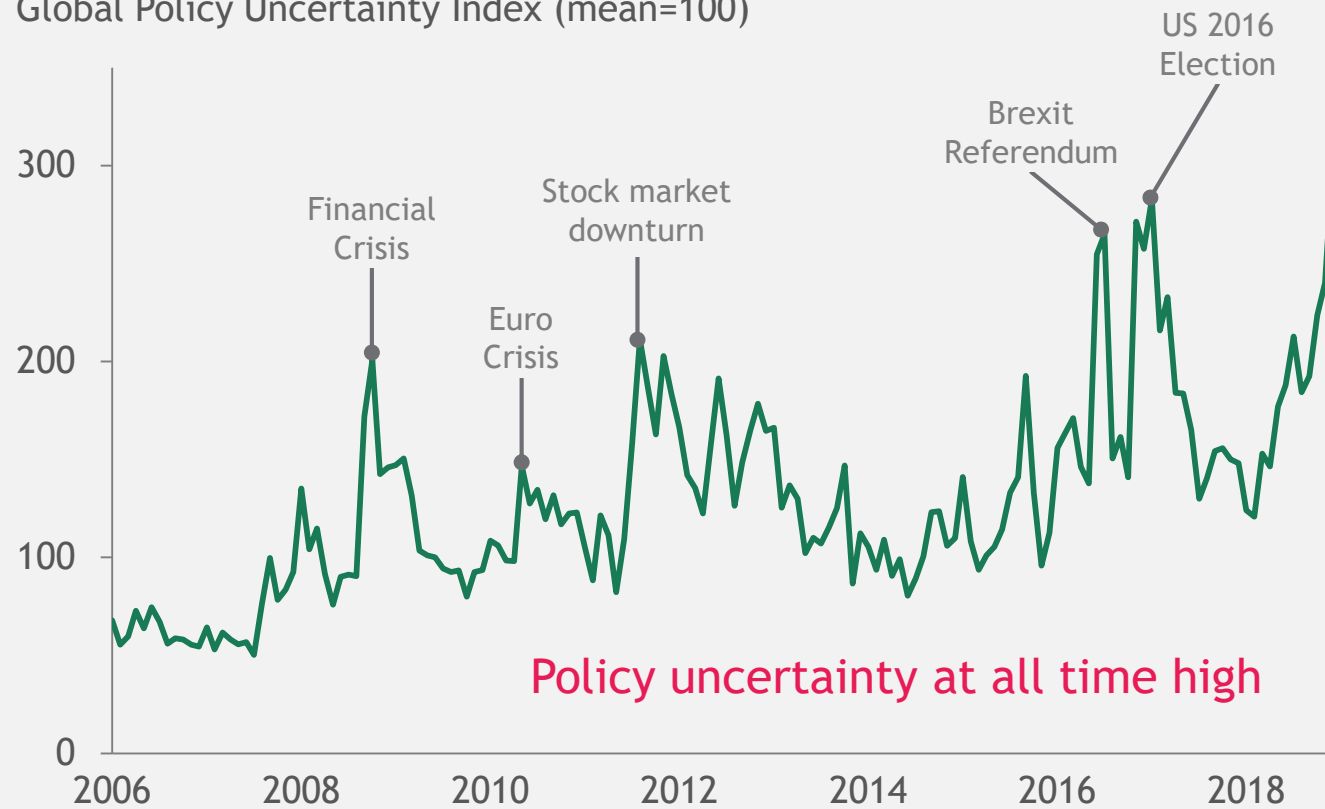
## NCLT



# Global policy uncertainty at an all time high....

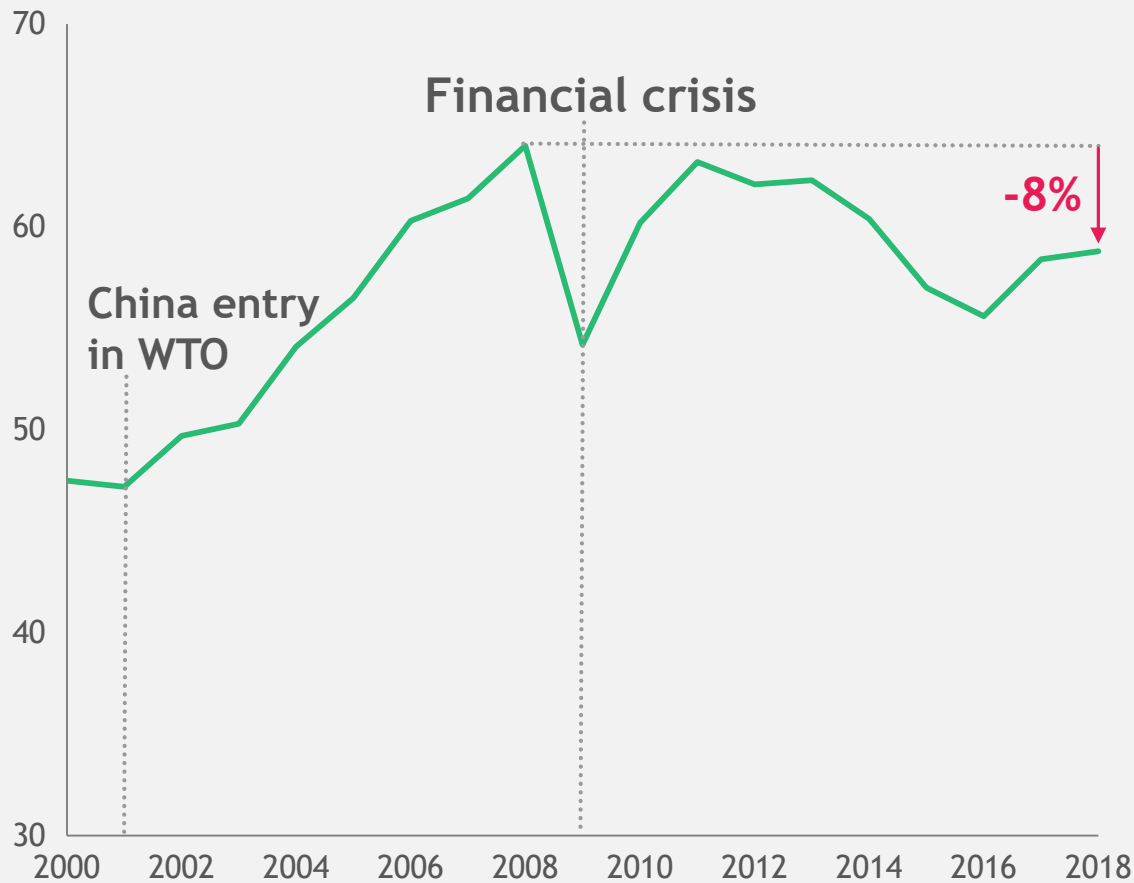
*Could deepen or trigger downturns...*

Global Policy Uncertainty Index (mean=100)



# ...while Trade wars could signal the end of globalization or represent an opportunity for India to replace China

Total value of world trade<sup>1</sup> as % of world GDP



- Trade growth flattening out - signals changing nature of internationalization



Break-down of WTO system?  
Wide-spread use of unilateral tariffs & non-tariff barriers?

# Today's CxOs need to manage the "*Disruptive*" while ensuring "*gradual changes*" in the organization for sustainable growth

## Managing externalities....



Managing uncertainty & Shifting value chains: *US-China trade war*



Navigating the demand downturn



Digital 2.0 Advanced analytics, *Robotic process automation*

## ...while Fixing the internal



Innovation



Sustaining savings



Sustainable sourcing



Contract & Supplier risk management



Fixing the Talent & Process conundrum

Focus for today's discussion

# What is changing in Global Trade





# Changes to Global Trade driven by four factors



Declining  
Labor Arbitrage  
&  
Industry  
4.0



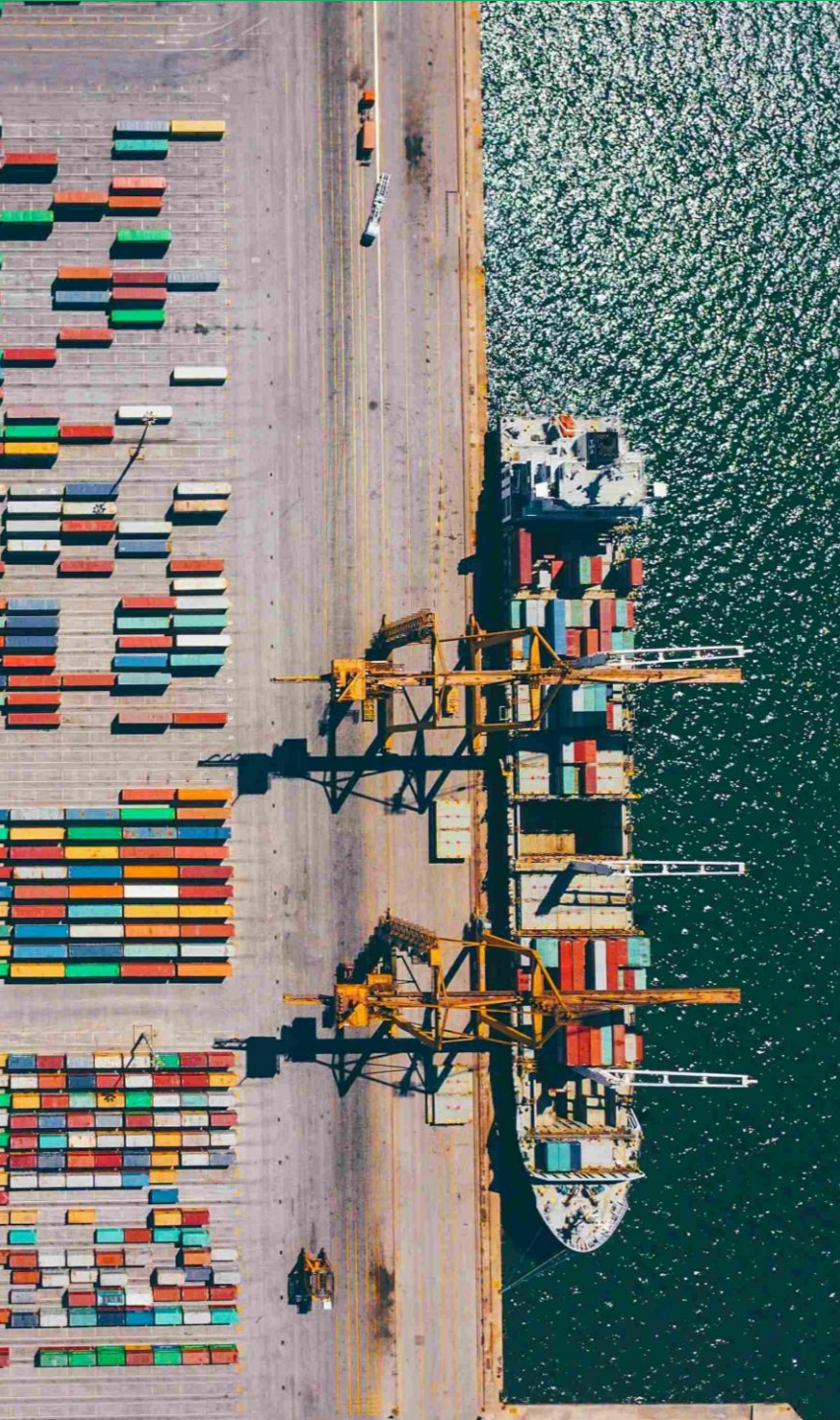
Digitalization  
of  
Physical  
Products



State  
Capitalism

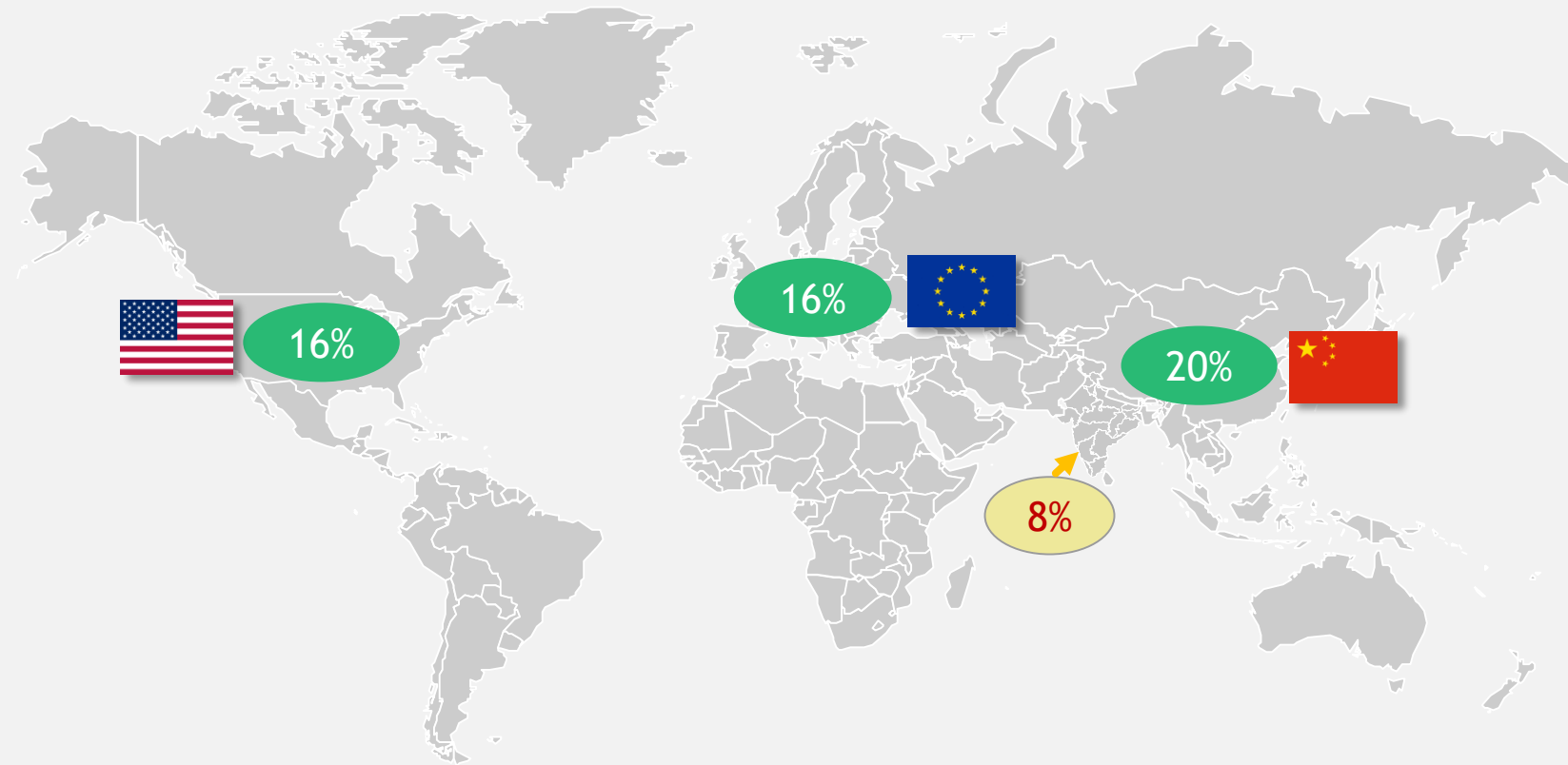


Economic  
Nationalism



# >50% of Global GDP still with US, EU and China

Significant control on global trade



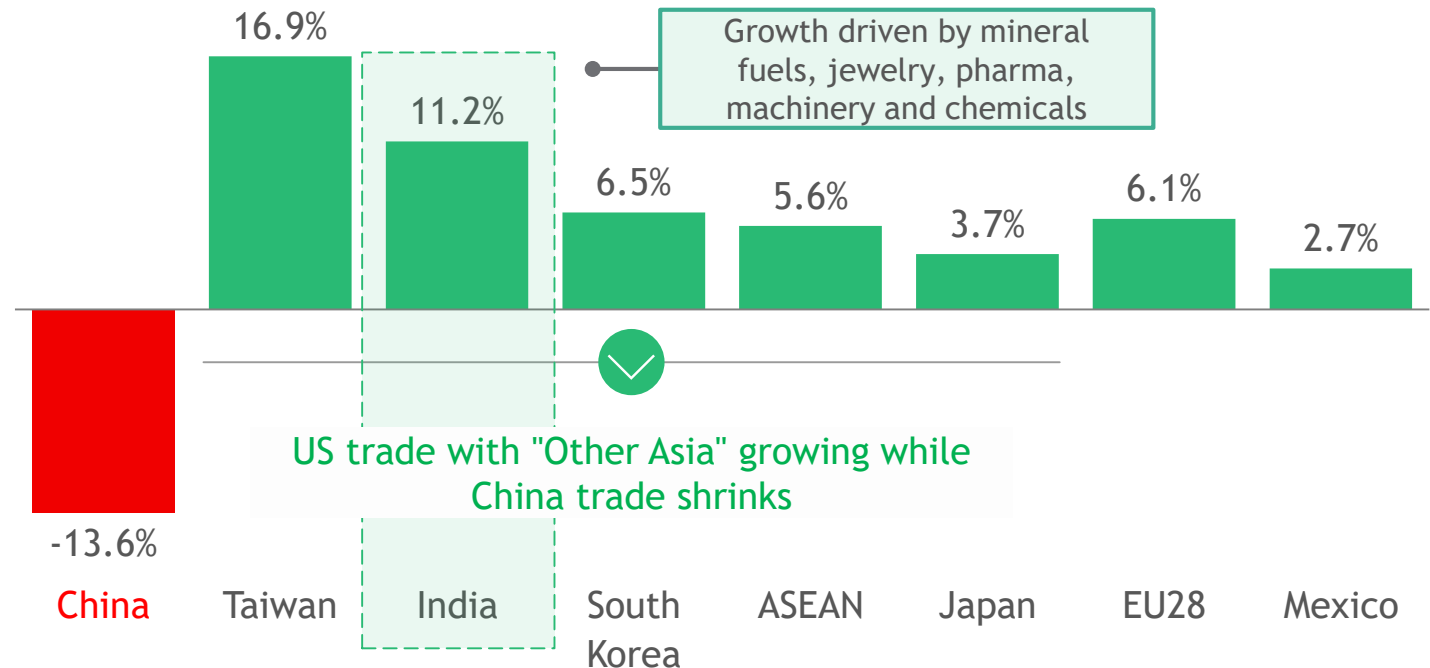
Of the world's GDP made up by three regions alone:  
**US, EU and China**



Significant opportunity for Indian industry as, as US and China de-couple



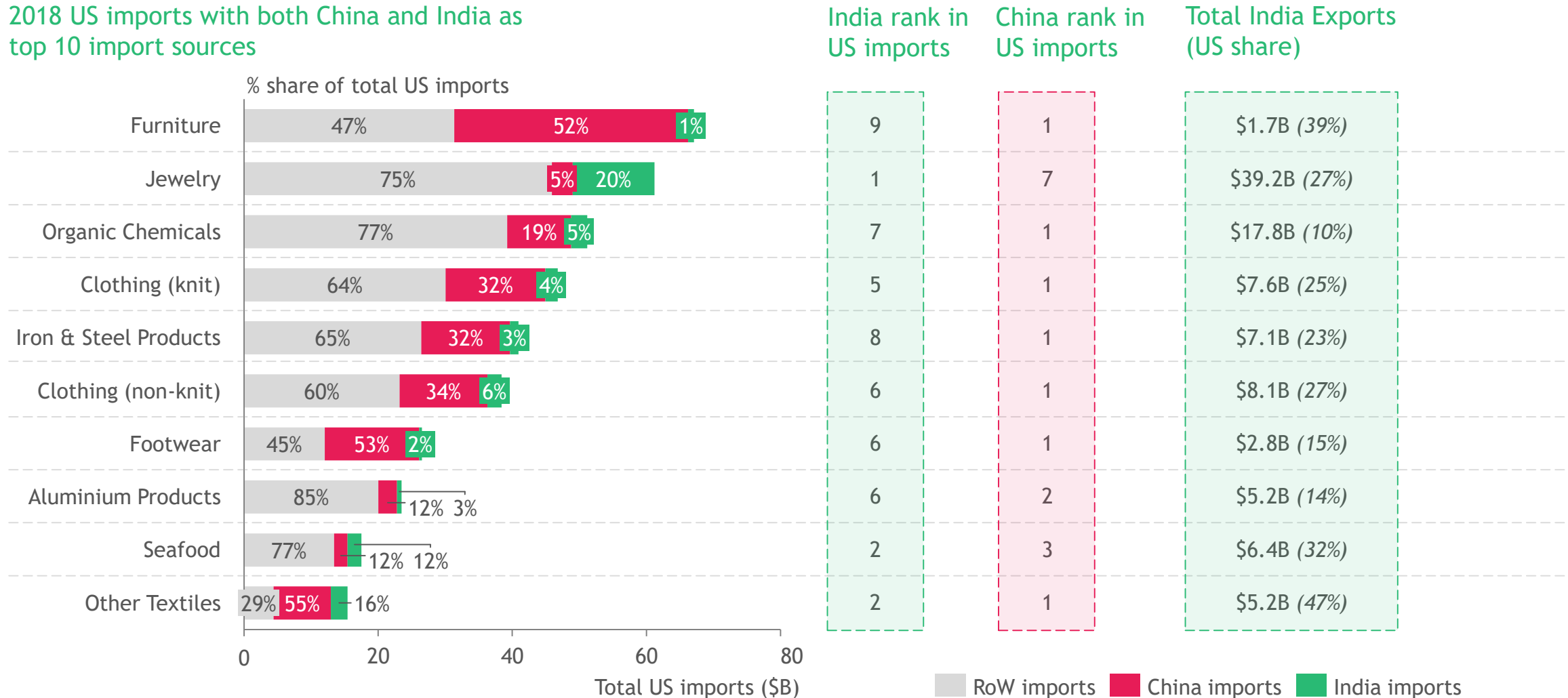
% change in US trade, 2019 H1 vs. 2018 H1



1. Includes trade in goods and services; Source: WTO; World Bank; Global Trade Atlas; BCG analysis

# US-China trade war creates an opportunity to displace China in US market

2018 US imports with both China and India as top 10 import sources

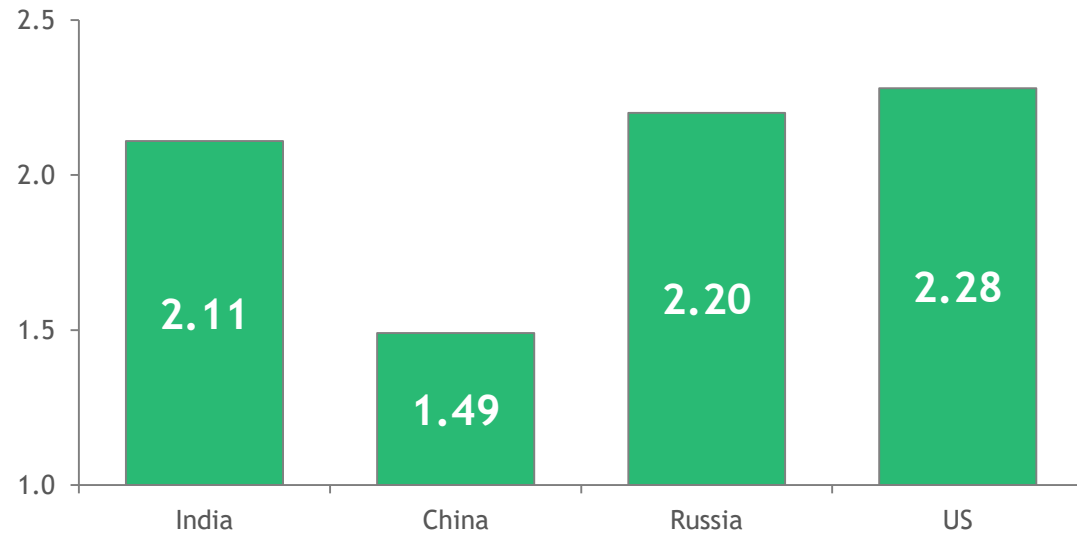


1. US "Section 301" tariffs on China-origin goods; 30% tariffs scheduled to increase from 25% on Oct. 15 '19; Source: IHS Markit, Comtrade, BCG analysis

# Need for structural interventions to improve key cost elements like logistics

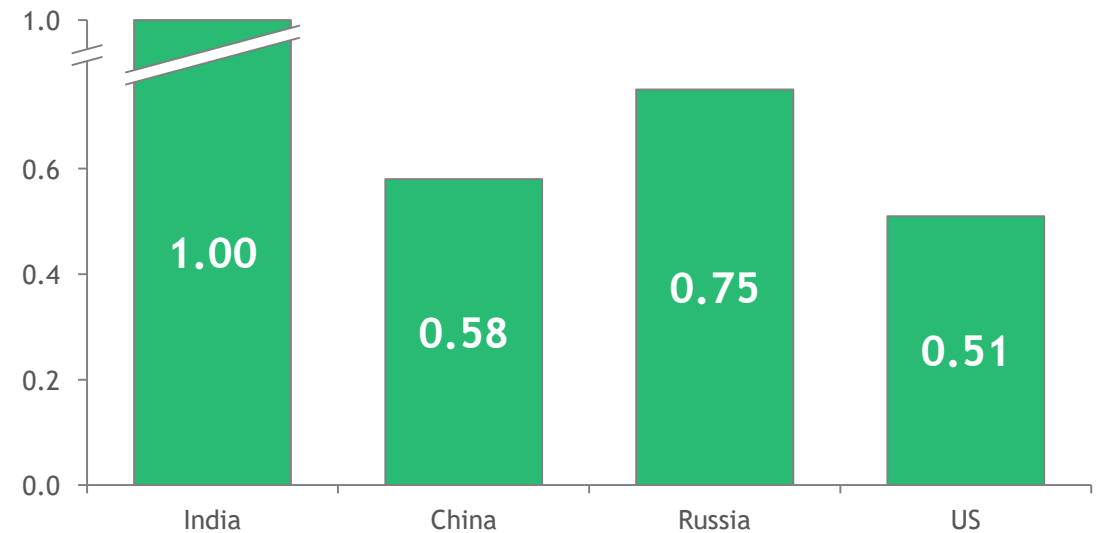
India lags behind China when it comes to transportation...

US Cents/Freight tonne km (nominal prices)



...however, in PPP terms, it lags all the other three countries (India = 1)

US Cents/Freight tonne km (at PPP)

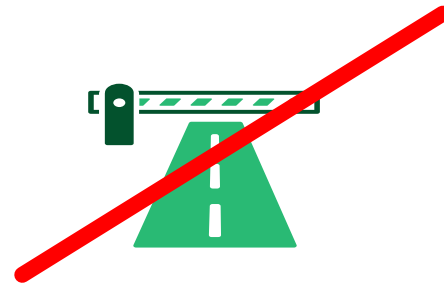


China's and Russia's freight transportation prices are 58% and 75% cheaper (resp.) than India



# Digitalization | Digital Goods do not require Physical Trade

2005



2015



**NETFLIX**



# Economic Nationalism | across major economies

## Declining Altruism



Economic nationalism from the left and right  
Fewer voices supporting the global trading system

Key trade relations restructured:

- NAFTA / Auto
- Paradigm shift in US-China Trade
- Uncertain attitude towards EU & Japan
- Backing away from WTO

## Post-Brexit blues



Anti-EU sentiment drives surprise Brexit vote  
Redefining relationship with EU, US, and world

## Shifting political consensus / Alliances



Anti-globalization parties on the right and left. Limited ability for Consensus on trade.

Evolving trade relations with UK, US, China

## Economic Sanctions



Geopolitical Moves drive Western Sanctions

Complex Public Policy / Regulatory environment

## Economic Blockade



Saudi, UAE, & Bahrain blockading Qatar

Qatar aiming to stay engaged in world trade

## The New Superpower



Now #2 world economy, seeking to both use Global institutions and build alternatives

One Belt, one road policy reaching into Asia, Africa, Europe

Deepening trade and political tensions with USA



# What companies should do to adapt to the 'new normal'

- 1 Engage to shape policy**  
Identify outcomes that deliver relative advantage, build coalition, educate and inform
- 2 Develop deep understanding of trade regulation & Competition cost**  
Diagnose status at "item code level", explore alternative business models (e.g., licensing)
- 3 Prepare for changes in the macro context**  
Run stress tests on business continuity and financial stability, reevaluate investment plans
- 4 Transform the supply chain**  
Introduce Digital technology to boost flexibility, resilience, transparency and integrity
- 5 Win with the winners**  
Redirect resources towards customers likely to benefit from China substitution efforts



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Fixing the Talent & Process conundrum

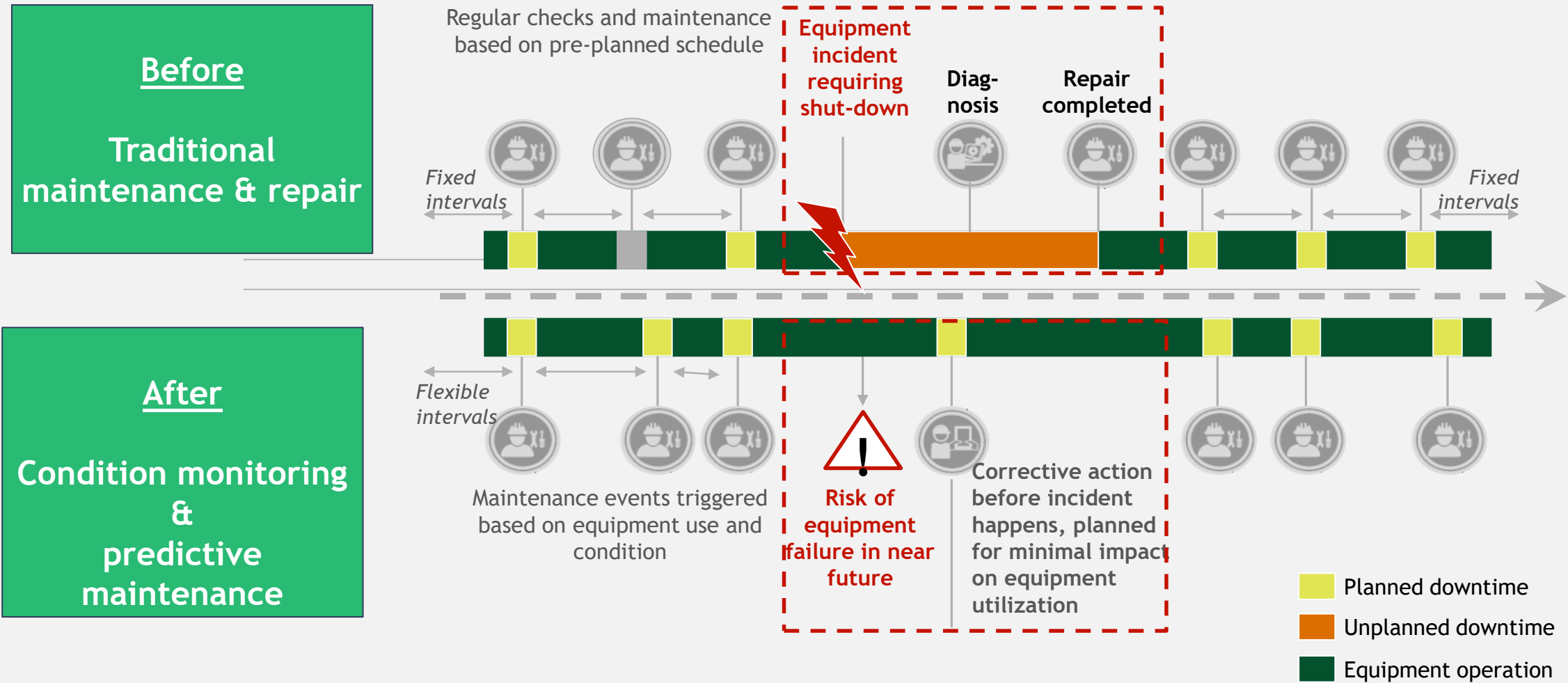
Focus for today's discussion

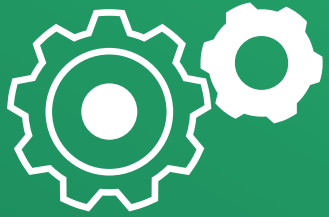
Case Study#1: Improve  
mining truck  
availability through  
predictive maintenance



# What is Predictive maintenance

Leads to significant reduction in equipment disruptions and downtime





## Key interventions



Developed classification models using machine learning techniques for breakdowns



Truck signals were taken as input variables for the model



Truck breakdown probabilities are scored by the model trigger preventive / predictive maintenance action

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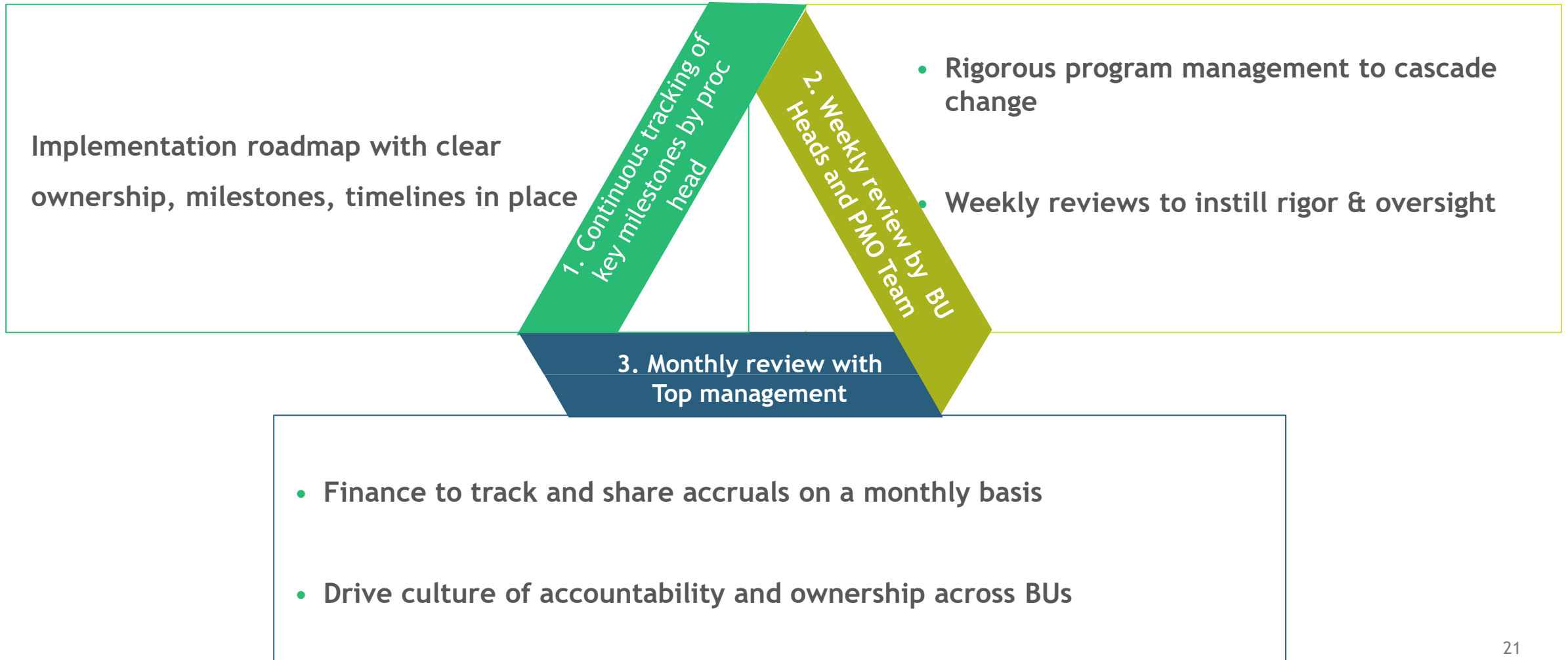


Fixing the Talent & Process conundrum



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# Process institutionalization | Robust governance needed to sustain impact



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# Sustainable sourcing | Companies are lowering costs and earning premium by going green



## Making sneakers made from ocean trash

- Each shoe uses ~11 plastic bottles per pair and incorporates recycled plastic in laces, heel wheel lining, etc.

1 million footwear sold



## Low carbon - Green Aluminum

- Smelters to run only on Hydro-power instead of thermal coal based power
- Deal with BMW to create a closed loop recycling system for Al alloy sheets

Command higher premium



## Green concrete

- Takes captured CO2 and injects it into concrete as it's being mixed.
- As the concrete hardens, that carbon is sequestered forever since it reacts with concrete and becomes a mineral

Higher compressive strength





# 5 of megatrends



Prepare for uncertainty

Drive long term sustainable programs

Accelerate digital

Bring innovation to sourcing

Execute rapid turnaround & transformation

“The best  
way to  
predict  
your future  
is **TO CREATE**  
it.”

Abraham Lincoln



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