

DAY 3

Thursday, 10 Oct. 2024
08:00 – 09:30 (CEST)

Session:

From Player to
Leader: Europe in
the Global Supply
Chain



Keynote & Moderator

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Player to Leader: Europe in Global Supply Chain

10th October 2024

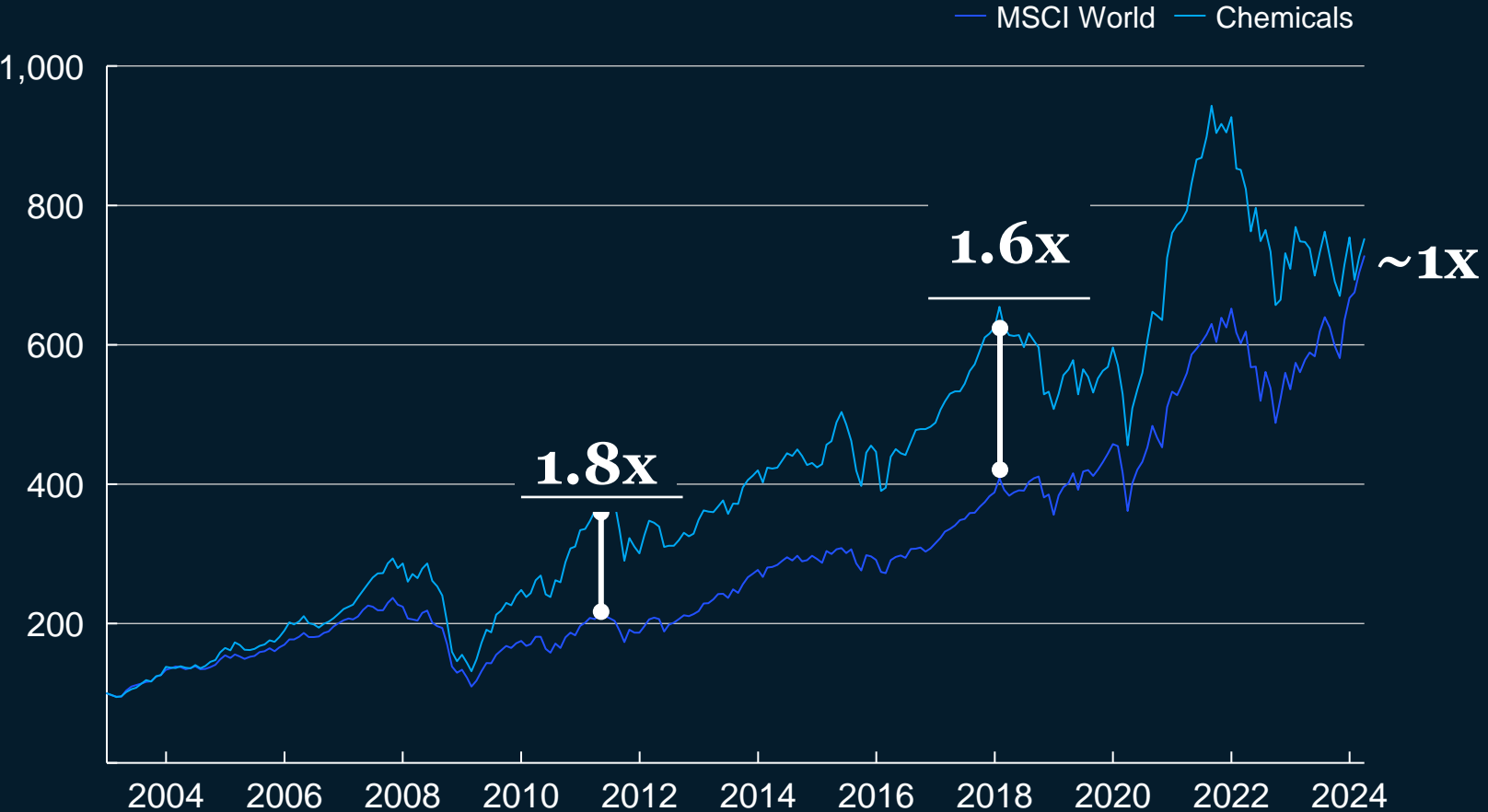
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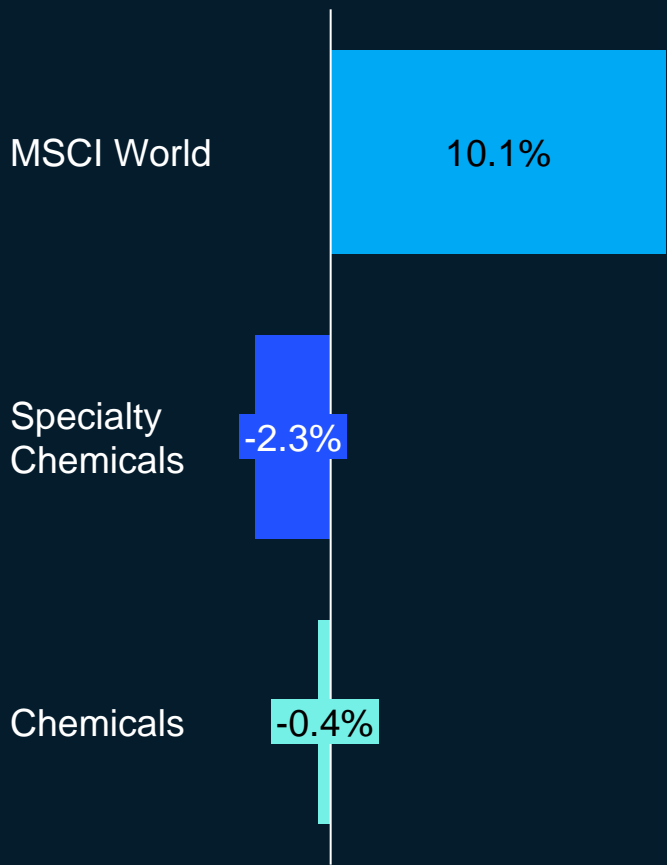
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State of the industry: Chemical industry has outperformed the world index in the long-run yet underperformed over the past 3+ years

TSR, Indexed to Dec 2002 = 100, USD



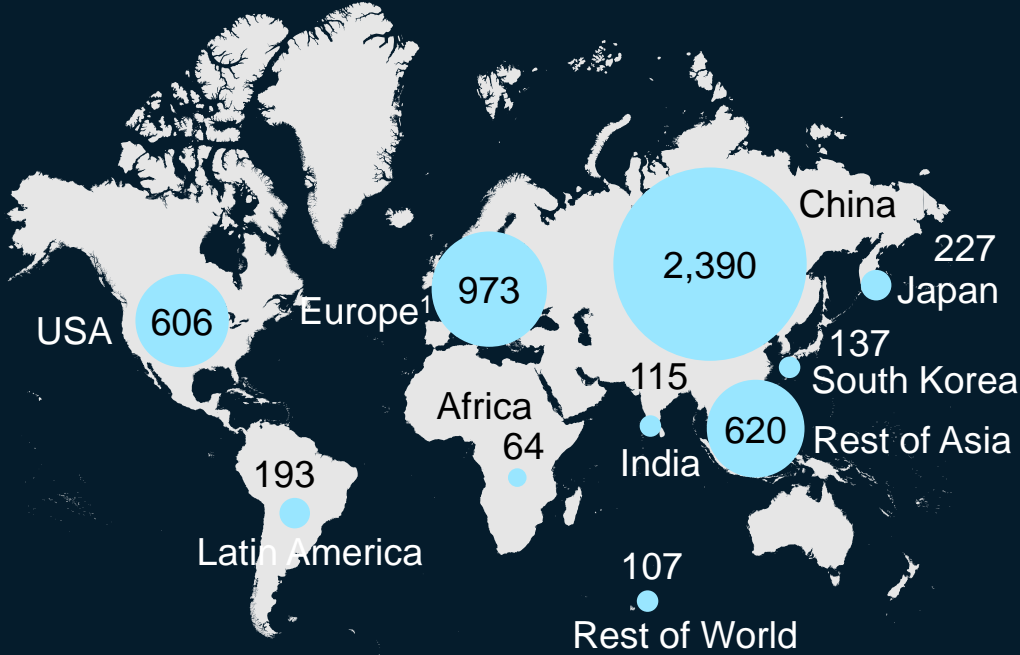
TSR CAGR, %, USD, Dec 2020-March 2024



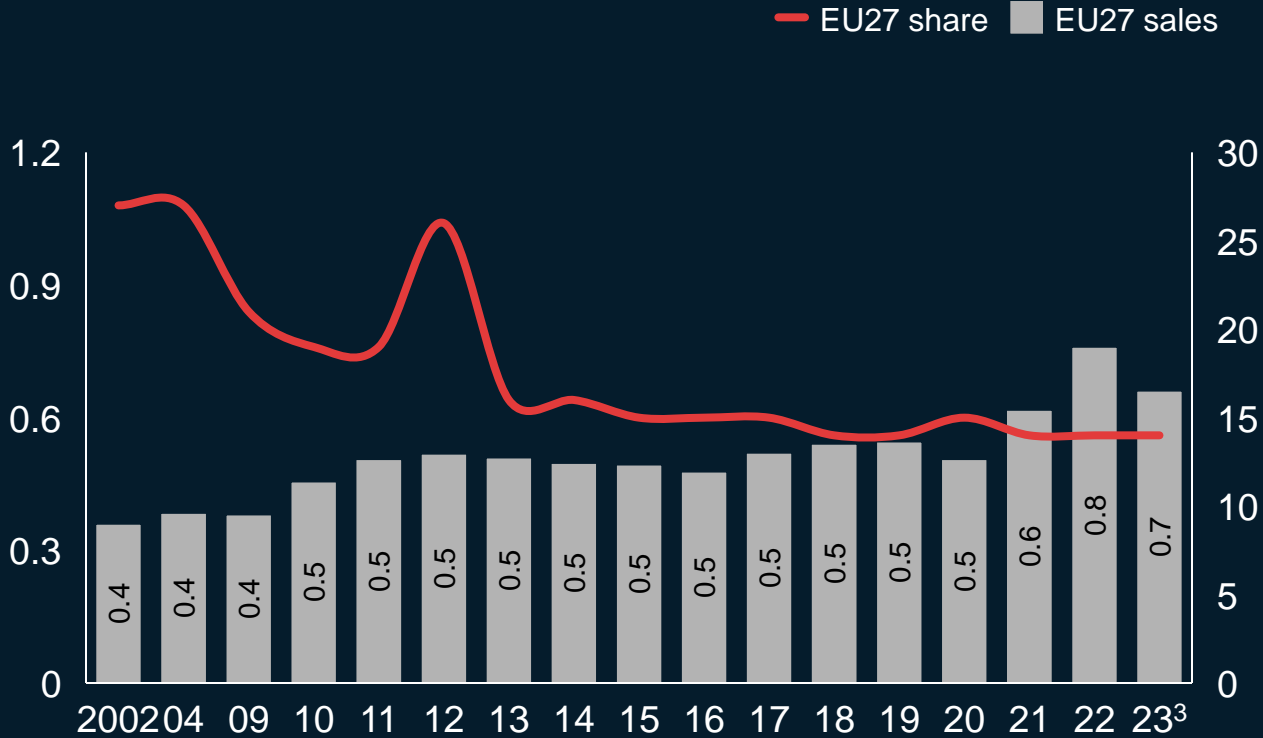
Source: McKinsey Corporate Performance Analytics; MSCI World Index; S&P Global Market Intelligence

European chemical industry has been hit harder – losing significant share in the global chemicals market

World chemical sales, 2022 EUR bn



EU27 share of global chemical market EUR tn, %

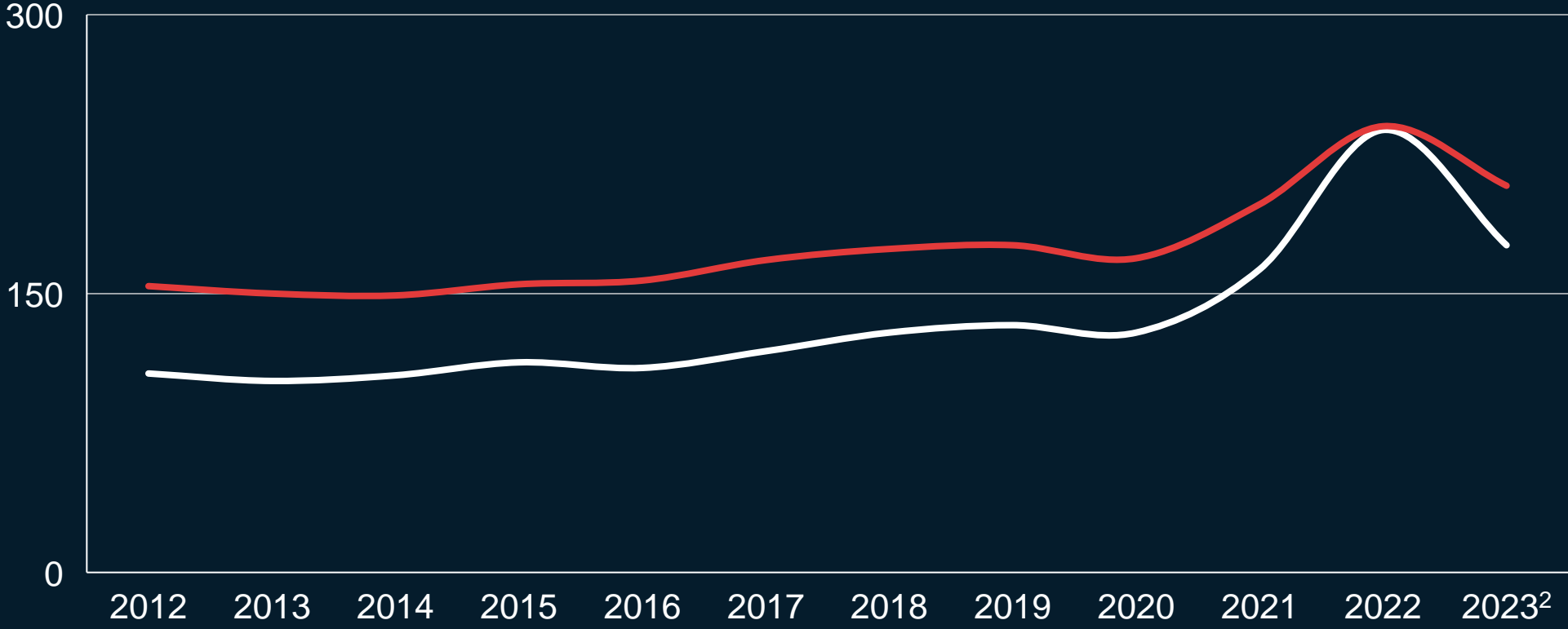


1. Including EU-27, UK, Switzerland, Norway, Turkey, Russia, and Ukraine
 2. Asia excl. China, India, South Korea, and India
 3. Market share for EU 27 extrapolating from recent trends, modest yet steady growth in demand and production in line with global markets

European chemicals bounced back to regain the export position in 2023, with a leadership position in terms of carbon contents

EU27 trade in Chemicals¹ EUR bn, 2010-23

— Imports — Exports



The largest export and import categories are specialty chemicals followed by petrochemicals and polymers

Production in Europe has up to 30% emission advantage over China and MEA

¹ includes Consumer chemicals which include soaps, detergents, cleaners etc.
² 2023 figures for the first 10 months (Jan-Nov 2023)

The industry is now at a “polycrisis” and inflection point – standing still NOT an option

10-25% demand contraction¹
across the value chain driven by contraction in key chemicals-using sectors

Increased CO₂ costs, triggering need for new collaborative ecosystem plays with biogenic feedstock and renewable energies

Regionalization of supply chains with China getting self sufficient in most value chains, reducing technology gaps

2x-3x energy costs impacting structural competitiveness of European assets in the short term

1. Demand contracted between 2019-24 across the value chain

Four supply chain bold moves for a (European) chemical company to thrive in this new, volatile, uncertain, and complex world

Deep dives in the following

1



Supply Chain strategic reset – structurally rethink supply chain architectures (with collaborative eco-system playbooks), reinforcing segmentation, related service levels and production/ distribution footprints, while increasing automation and technology enablement

2



Planning and delivery performance enhancement enabled by technology to improve anticipation of demand/ supply shocks, speed of reaction, end to end synchronization across functions and dynamic optimization of decision making

3



Cultivating a diverse and inclusive workforce – developing and retaining top talent across demographics as a driver of performance differentiation, making Supply Chain the “brains” of end-to-end margin optimization

4

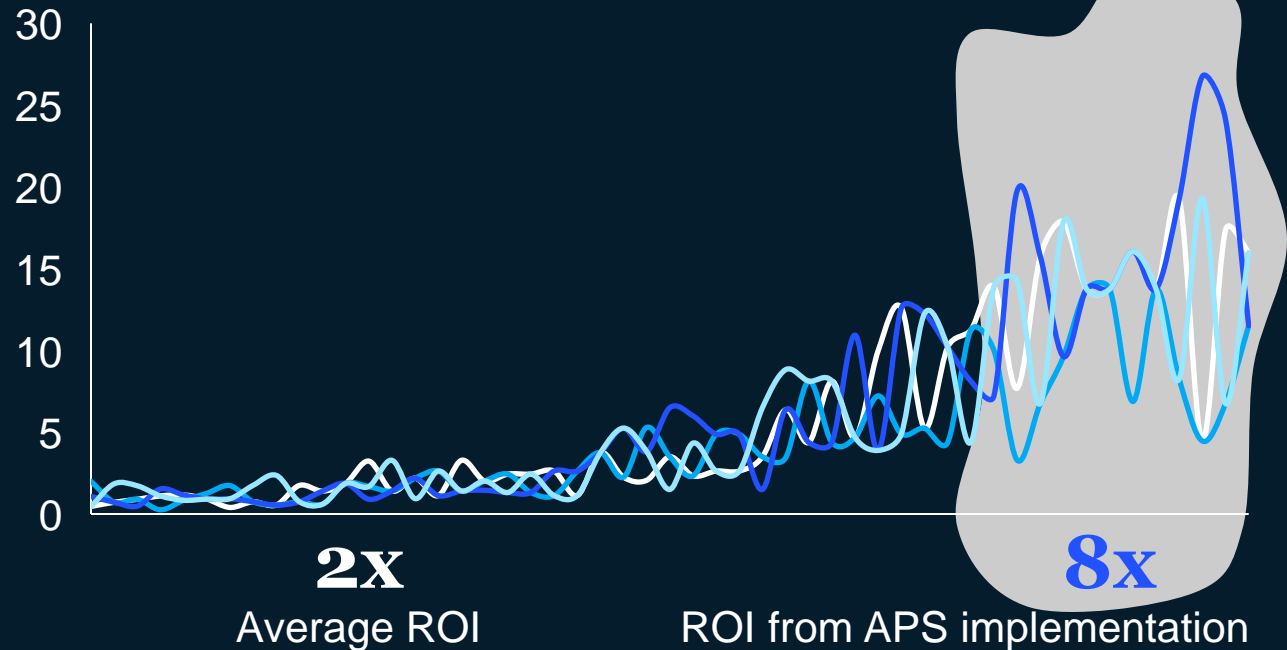


Decarbonization as a lever of differentiation rather than compliance, in line with commitments taken over time, supported by eco-system plays and a consistent economic/ environmental agenda at European level

All of this in a context of other broader business bold moves related to innovation boost and business scaling to create European champions

2: Very heterogenous ROI from technology investments – leverage tech enablement to activate transformative value capture

KPI improvement (%)



Top-performing¹ APS implementations achieve ...



4x

higher ROI at full annual run-rate



<1

year to ring-in the first benefits

- Customer service level increase
- Planner productivity improvement
- Logistics cost reduction
- Inventory reduction

1. Average achievements of top 10% implementors of APS, selected based on their ROI and a threshold of \$10M absolute value of return; based on self-reported cost and impact values, based on standard range options; analysis assumed absolute value of cost and impact at mid-point of reported ranges