


Doing Business in China
COVID-19 and the Implications on the Supply Chain

Kurt Haerri
Head New Installation & Modernization Business Schindler Europe
April 21st 2020

Swiss Re

Schindler

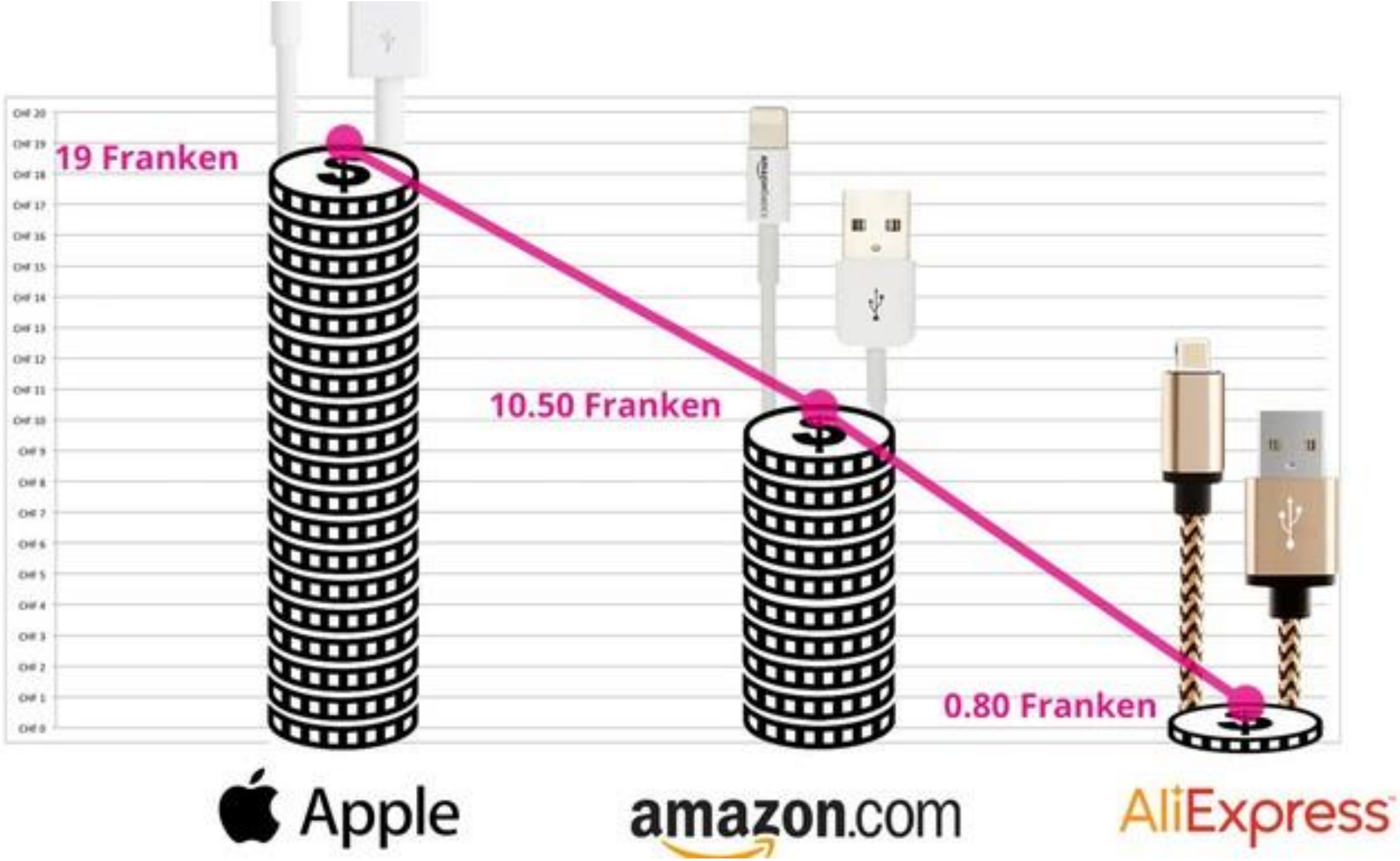
The SC Reality

AARGAUER ZEITUNG

az nordwestschweiz

Thursday February 19th 2017

Price of an iPhone charger cable

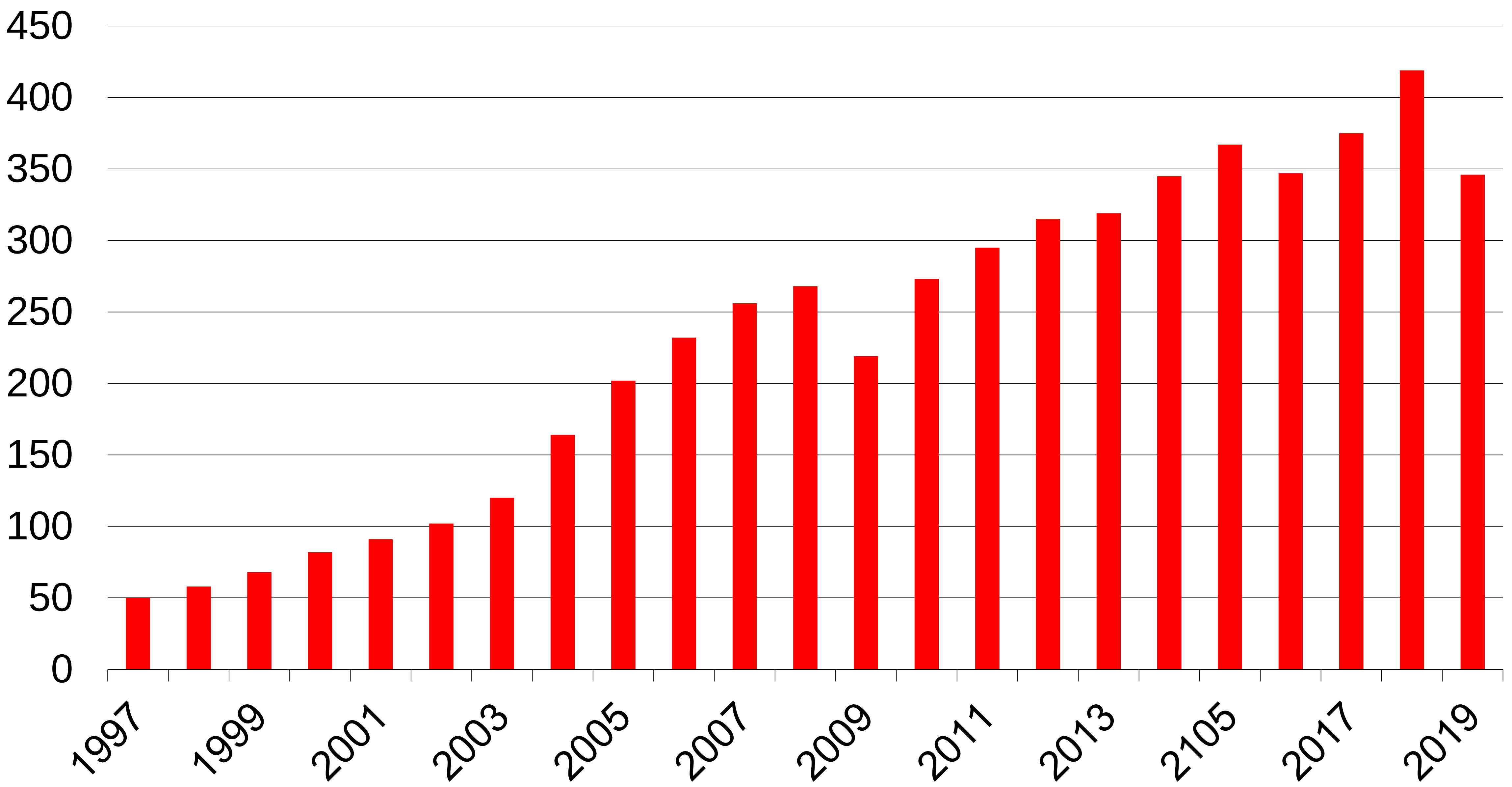


The Trade War

Trade USA / China

2018		**2019**	
US Exports:	121	US Exports:	106
US Imports:	540	US Imports:	452
US Balance:	**- 419**	**US Balance:**	**- 346**

In USD [Bio]



COVID-19
and its Impact to the Supply Chain

Covid-19 (1/3)

Impacts of the crisis to the Supply Chain

SCM Key Success Factors of the past

1. **Cost**
2. **Quality**
3. **Delivery**

New requirements to the Supply Chain after the crisis

4. **Resilience ➔ Robustness to adapt to unpredictable disruptions**
5. **SC Planning ➔ Predictive Models for different scenarios are needed for forecasting and simulations**

Covid-19 (2/3)
Impacts of the crisis to the Supply Chain

Risk Mitigation in the Supply Chain (an example)

1. Build a strong, stable sourcing from China for 50% to 60% of your demand
2. Establish a second and a third source elsewhere for 20 % of your demand with the flexibility to double the capacity in case of need

Covid-19 (3/3)

Impacts of the crisis to the Supply Chain

Important Factors going forward after the crisis: Complete the entire value chain in China:

1. Research
2. Product Development
3. Sourcing (Outsourcing in China)
4. Production
5. Marketing
6. Sales
7. Services
8. **Strong collaborations with the Government: an emergency period creates good opportunities**

Most important: Build your local Champions!

The Global Marketplace

Where the markets are located

Europe

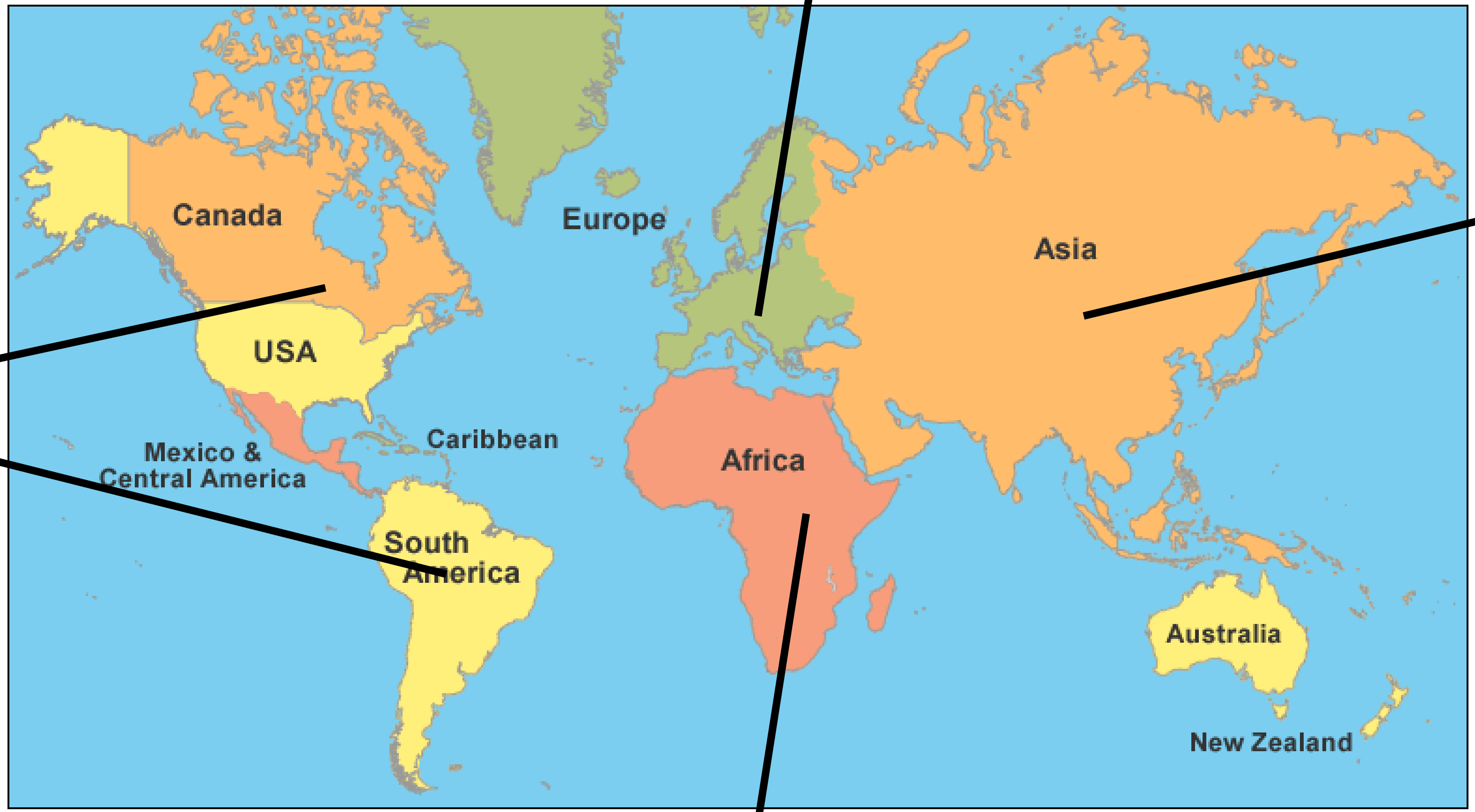
743

Asia

4555

North & South America

1017



Africa

1288

COVID-19:
Is there a severe Market Impact?

Urbanization to Suburbanization

2005

- 573 mn people lived in cities (5% middle class)

2014

- 727 mn people are living in cities

2025

- 926 mn people will be living in cities (78% middle class)
- 221 cities with >1 mn, of which 23 will have >5 mn people
- 8 megacities with populations of more than 10 mn

Source: McKinsey, China.org.cn

What does it mean to urbanize 20 Million people every year?

It needs living space:

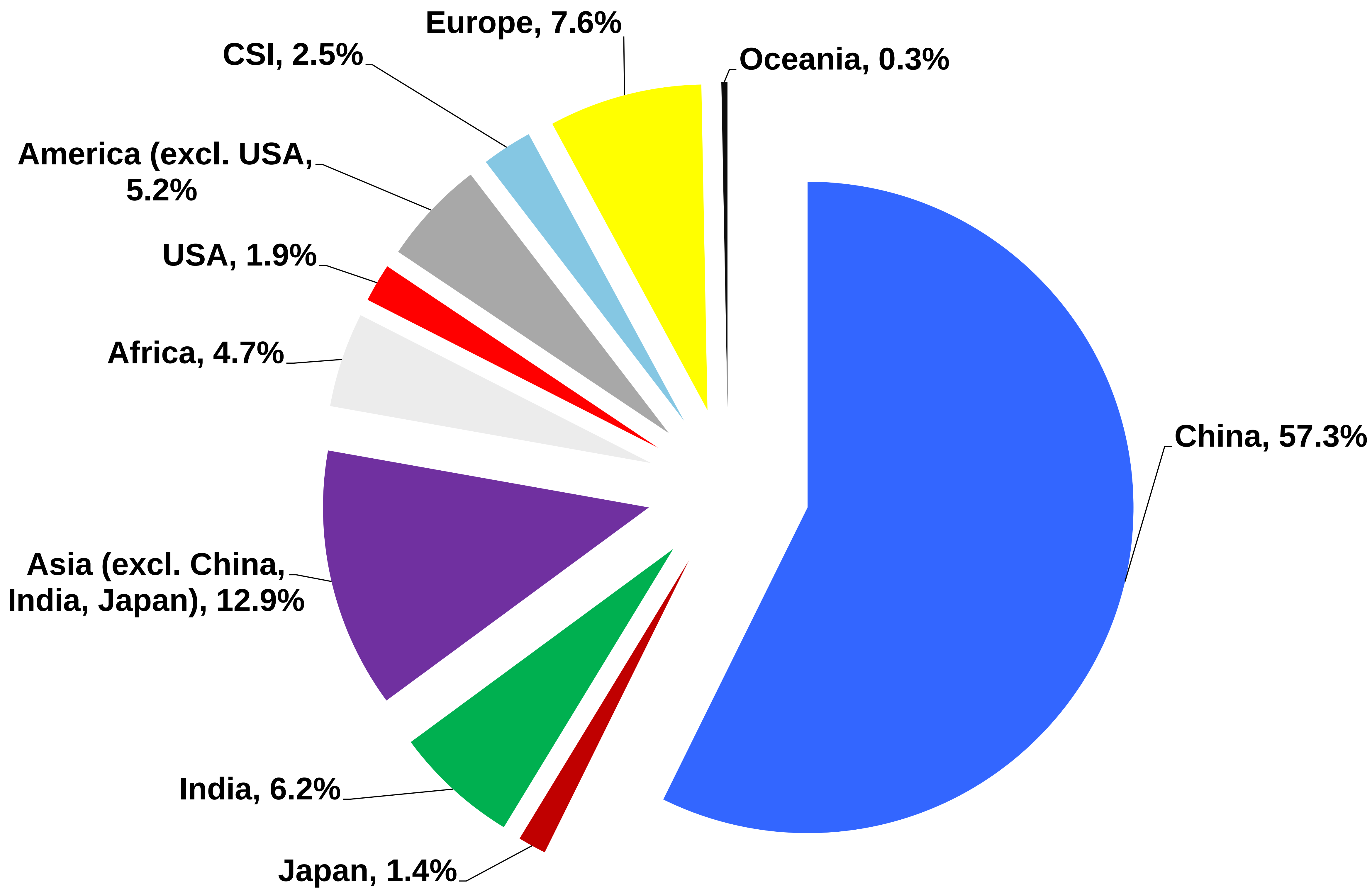
A typical Residential Building in China:

22 Floors
4 Appartments per floor
2 Persons per household
176 Persons per Building
3 Elevators per Building

114’000 Buildings

342’000 Elevators

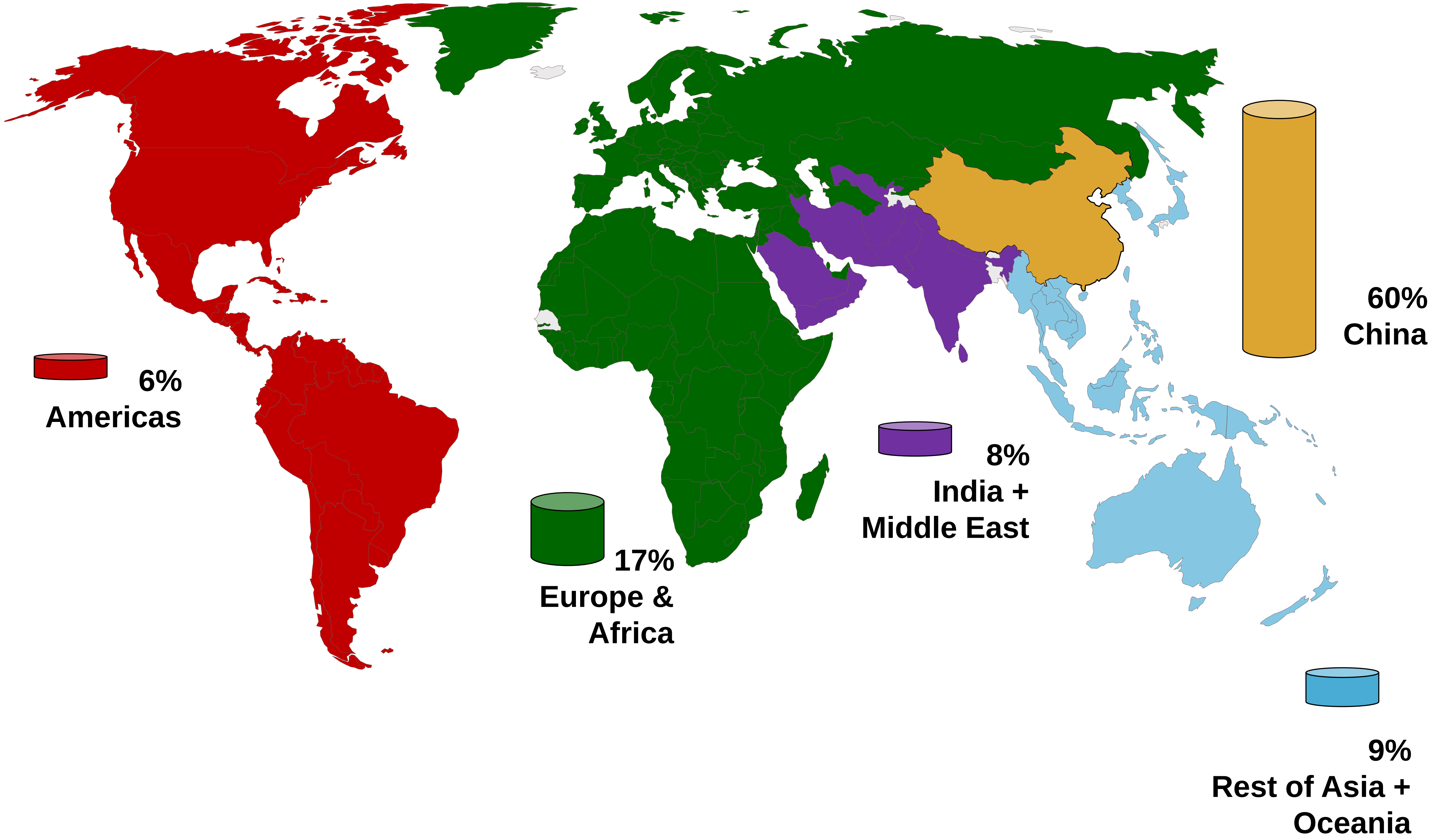
Global Cement Production



Source: Holcim

Global Demand for New Elevators

Geographic Split



Schindler in China

Where we are Today: Most Modern Campus Worldwide

Plot size: 325 000 m^2

Investment: 1.7 bio. RMB

Over 1’600 employees

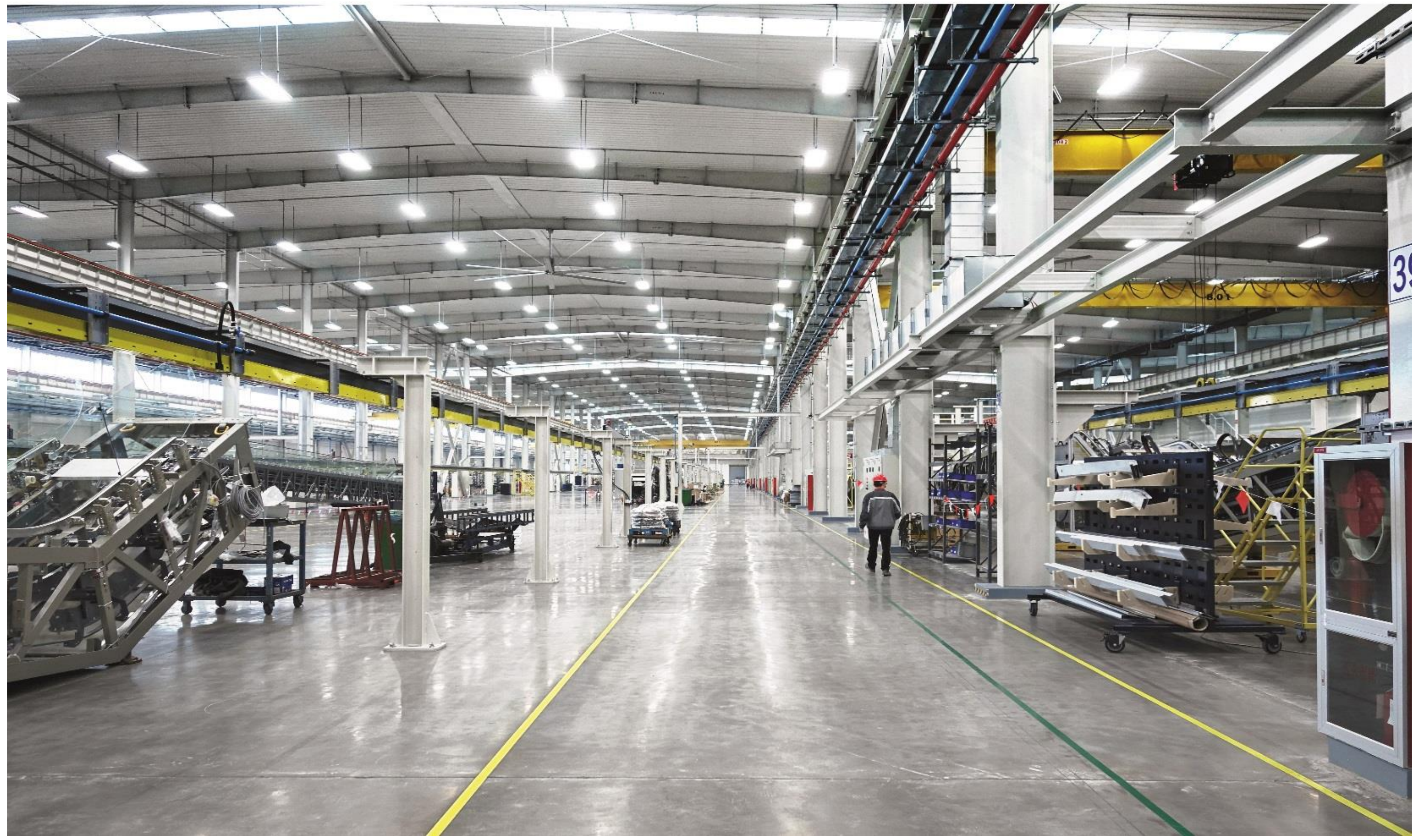
- Unified Office Buildings (LEED Gold)
- Escalator factory (LEED Silver)
- Elevator factory
- R&D Lab with Test Tower

Advantages

- Proximity to strategic markets
- Global product platforms
- State-of-the-art production
- Economies of scale

Schindler in China
Largest Escalator Factory worldwide

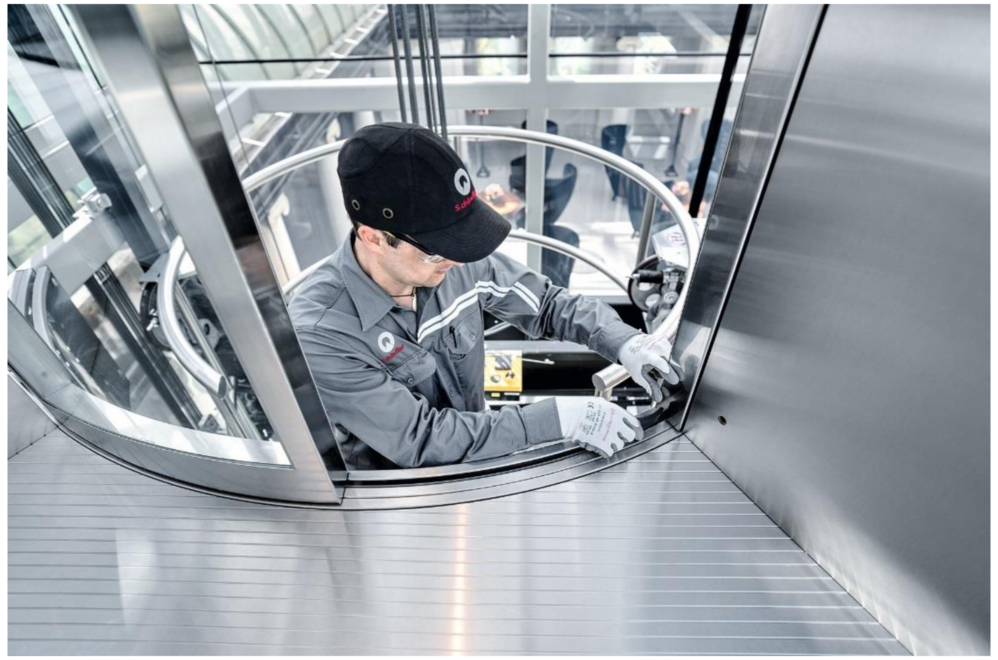
- One of the most important Schindler production bases
- Synchronized production system
- Takt time 75 minutes for an escalator assembly
- 20’000 units of annual production capacity



Schindler in China
Our Businesses 2020

Schindler Field Operations

- Installation
- Maintenance
- Modernization



Supply Chain

- China
- Export to group entities

Dual Brands

XJ Schindler

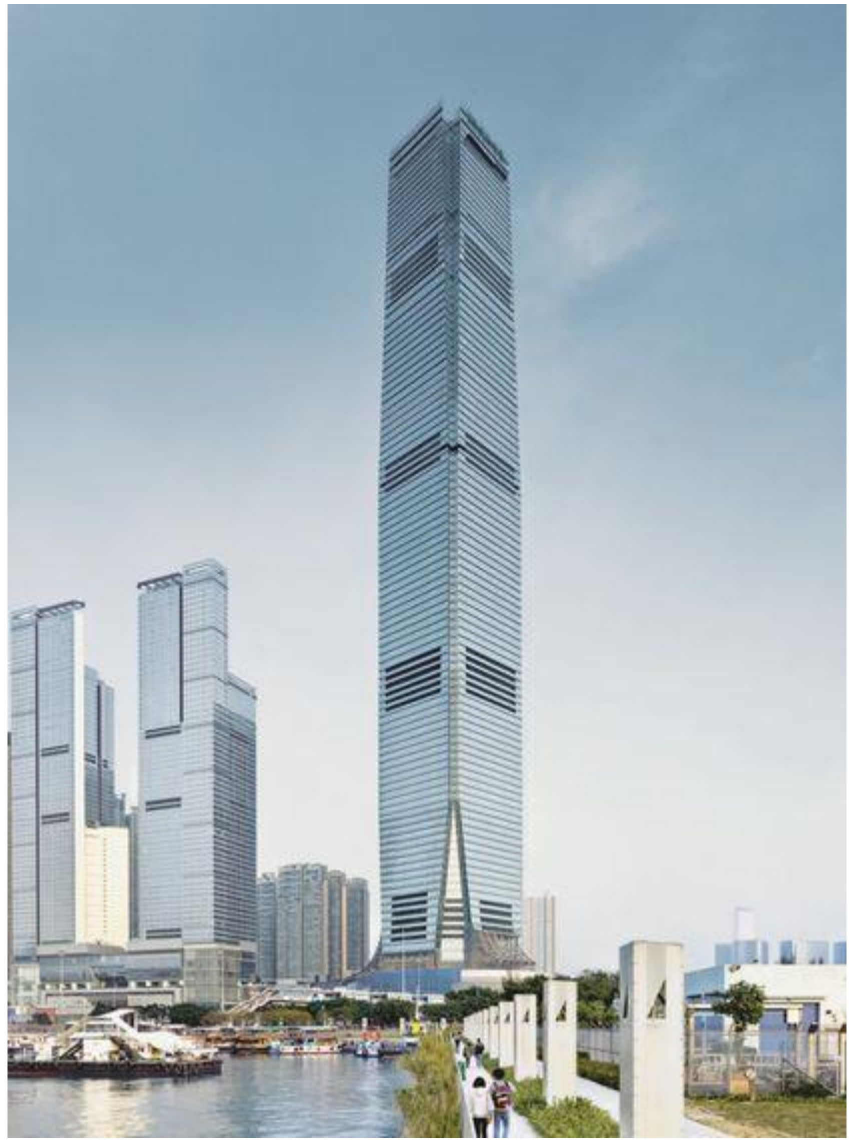
VOLKSLIFT
沃克斯电梯

Great Projects continue with some delays, but continue

Ping An Finance Center
Shenzhen
China
660 m

Tencent Seafront Tower
Shenzhen
China
192 m

Qingdao Center
Qingdao
China
245 m



International
Commerce Center
Hongkong
490 m