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# **The Resilient Supply Chain Benchmark Methodology report**

A report by The Economist Intelligence Unit

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# The Resilient Supply Chain Benchmark—Framework

The Economist Intelligence Unit (EIU) built The Resilient Supply Chain Benchmark to assess supply chain resilience in publicly-listed US companies. Commissioned by The Association for Supply Chain Management (ASCM), the benchmark assesses companies in the retail, pharmaceuticals, and consumer electronics sectors.

The EIU, working with a panel of experts, developed a framework in order to assess how companies have adopted resilience-building capabilities, and whether those companies have in fact been resilient in comparison with other companies in their industry.

The resulting framework combines 31 indicators in total: 23 indicators collected through a survey of corporate executives, 6 qualitative and quantitative metrics developed from corporate disclosures, and 2 background or non-scored indicators.

The benchmark assesses operational supply chain resilience and strategic supply chain resilience, aggregating company-level results to report industry-level trends in capabilities and performance. The majority of indicators in the benchmark assess a company’s resilience-building capabilities, or the company characteristics and proactive steps companies take that build supply chain resilience. A smaller group of indicators measures a company’s performance.

Operational supply chain resilience refers to a company’s ability to avoid, withstand, and bounce back from supply chain disruptions and recover to a ‘normal’ or improved state of affairs. Operational capabilities are organized into three subcategories: Position & Prepare, Sense & Plan, and Mitigate & Respond. Operational performance includes one subcategory: Recover.

Operational capabilities						Operational performance	
Position & Prepare		Sense & Plan		Mitigate & Respond		Recover	
Supply Chain Risk Management Maturity	End-to-End Transparency	Visibility-Information Flow	Risk Monitoring & Early Warning Systems	Redundancy & Flexibility	Agility-Responsiveness	Sensing	PP Change in Return on Assets
Supply Chain Risk Management Talent	Liquidity Ratio Leverage Ratio	Risk Planning (BCPS/Scenario Planning & Stress Testing)	Supplier Collaboration	Safety & Security	Agility-Velocity		PP Change in Operating Margin

Strategic supply chain resilience refers to a company’s ability to look ahead and plan for deeper structural changes that could change the risk landscape or create new vulnerabilities.

Strategic capabilities are organized into three subcategories: Lead, Build, and Transform. Strategic performance includes one subcategory: Adapt.

Strategic capabilities						Strategic performance	
Lead		Build		Transform		Adapt	
Leadership	Climate Risk Awareness	Supplier Relationships	Customer Relationships	Environmental Sustainability	Circularity	Supplier Concent-Ration	% Change Scope 3 Carbon Emissions
Corporate Commitments Board Level Engagement	Organizational Learning	Supply Chain Workforce	Supply Chain Talent	Strategic Supply Chain Risk Mitigation	Supply Chain Innovation		Resource Use

## Developing the Framework

### Landscape Analysis & Literature Review

The initial step in the development of the methodology was a landscape analysis and literature review carried out by researchers at the EIU, across policy documents, academic literature, and other studies on supply chain resilience. The landscape analysis was aimed at identifying existing frameworks, indicators and data sources on supply chain resilience, which could be used in the development of this new approach. As part of its landscape analysis, the EIU interviewed more than twenty supply chain practitioners and industry experts about supply chain resilience and supply chain sustainability.

### Preliminary framework

An initial framework was developed on the basis of the literature review and consultations with internal experts. The EIU then convened a panel of experts from the private sector and academia to discuss and validate the preliminary approach during a four-hour virtual session. Taking the insights from the panel, the EIU performed additional research to establish the best possible metrics, including through interviews, data audits, literature reviews, and data analysis. Expert panelists were consulted as the framework was further refined.

### Sector focus and company selection

The benchmark covers the retail, pharmaceuticals, and consumer electronics sectors, all of which gained significance during the covid-19 pandemic. The publicly-listed US companies in these sectors and included in the benchmark were all respondents to our survey. Conducted anonymously, the survey covered companies of different sizes based on their total annual revenue: small (less than \$250 million), medium (\$250 million to \$1 billion) and large (over \$1 billion). Survey respondents included supply chain managers and other company executives at the director level or above with knowledge of and decision-making authority over supply chains in their companies. Survey responses and company

data have remained de-identified for the research team at all times.

### Construction of scores

The benchmark reports aggregate scores across sectors. As a result, scores from the benchmark represent trends across a sector or for segments within a sector, defined either by company size or industry classifications.

The benchmark assesses company capabilities and performance separately, resulting in two separate overall scores. Scores for each company are produced through weighting and combining scores for the categories and indicators in the framework. All scores are presented on a normalized scale of 0 to 100 (where 100 is best), displaying the relative performance of each company.

Normalization is based on the formula:

$$x = (x - \text{Min}(x)) / (\text{Max}(x) - \text{Min}(x)) * 100$$

where Min(x) and Max(x) are, respectively, the lowest and highest values for all benchmarked companies for any given indicator.

### Weights

Weights in the benchmark are intended to reflect the importance of different concepts related to supply chain resilience. Scores and analysis included in the executive summary are based on the weighting scheme detailed in Appendix 1. The EIU devised the weighting scheme after reviewing literature and consulting experts. Importantly, the benchmark weights operational supply chain resilience and strategic supply chain resilience equally.

An excel model with data from the benchmark has been created as part of this research program. The excel model applies the weighting scheme shown in Appendix 1 by default. However, weights in the excel model are adjustable and users can apply customized weights in order to reflect the relative importance they place on different capabilities or performance metrics. Adjusting indicator and/or category weights will alter scores.

### Qualitative and Quantitative Indicators

A total of 23 qualitative indicators were designed by the EIU for this study that assess supply chain resilience in companies and which were collected via survey. These indicators include questions and detailed scoring guidelines, which are available in Appendix 1.

The benchmark includes eight quantitative and qualitative metrics (including two background indicators) developed from raw data drawn from the Bloomberg and Refinitiv Eikon databases.

### Limitations

- Research for this study was carried out in the second half of 2020, when the companies were deeply impacted by the pandemic. Results for performance categories in the benchmark should be interpreted within this context.
- The study offers a simplified view of the complex and company-specific factors related to supply chain resilience. It is based on indicators deemed the most representative across selected topics. This means that the benchmark framework does not exhaustively include all critical areas and factors relevant to supply chain resilience.
- For quantitative indicators drawn from raw financial and ESG data, the benchmark relies on the latest available data for companies

## Appendix 1: Indicator framework detail

Capabilities dimension	Weight
Operational capabilities	50.0%
Strategic capabilities	50.0%
Overall capabilities score	100.0%

Performance dimension	Weight
Operational performance	50.0%
Strategic performance	50.0%
Overall performance score	100.0%

Capabilities dimensions				
Operational capabilities				
Category/indicator	Unit	Source	Weights	Question
<b>1) Position &amp; Prepare</b>			<b>34.0%</b>	
1.1) Supply Chain Risk Management Maturity	0-12	EIU Survey	23.5%	Is Supply Chain Risk Management coordinated across company functions and led by the C-Suite? (Select all that apply) A - Supply Chain Risk Management activities are well-funded and well-resourced B - Supply Chain Risk Management activities are well-coordinated across business functions C - Supply Chain Risk Management is fully integrated into sales and operations planning (S&OP) D - Supply Chain Risk Management activities at our company have support from executive management
1.2) Supply Chain Risk Management Talent	0-3	EIU Survey	23.5%	To what extent does the following statement accurately describe how your company engages in supply chain risk management (SCRM): SCM personnel have the necessary skill level to effectively mitigate and respond to disruptions 0 – Not at all accurate / Not sure 1 – Somewhat accurate 2 – Very accurate 3 – Completely accurate
1.3.1) Objective Criteria to Assess Supplier Criticality	0-3	EIU Survey	17.6%	To what extent does the following statement accurately describe how your company engages in supply chain risk management (SCRM): We have objective criteria to assess whether a supplier is critical (i.e. going beyond the amount we spend with them) 0 – Not at all accurate / Not sure 1 – Somewhat accurate 2 – Very accurate 3 – Completely accurate
1.3.2) End-to-End Transparency	0-12	EIU Survey	17.6%	Do you know who your critical suppliers are at multiple tiers of the supply chain? (Select all that apply) A - We have identified all of our critical Tier-1 suppliers B - We have identified all of our critical Tier-2 suppliers C - We have identified all of our critical Tier-3 suppliers D - We have identified all of our critical suppliers beyond Tier-3

# THE RESILIENT SUPPLY CHAIN BENCHMARK

## METHODOLOGY REPORT

Capabilities dimensions				
Operational capabilities				
Category/indicator	Unit	Source	Weights	Question
1.4.1) Liquidity Ratio		Bloomberg, Refinitiv Eikon	8.8%	Calculated as (current assets - inventory) / current liabilities
1.4.2) Leverage Ratio		Bloomberg, Refinitiv Eikon	8.8%	Calculated as total current liabilities / total equity
<b>2) Sense &amp; Plan</b>			<b>34.0%</b>	
2.1) Visibility – Information Flow	0-4	EIU Survey	29.4%	<p>To what extent is your company's visibility into the value chain data-driven and informed by your value chain partners?</p> <p>0 - Our understanding of demand and flow in the supply chain is not data-driven</p> <p>1 - We depend on internal data to monitor demand and supply, but data is siloed in different systems or outdated by the time it is used.</p> <p>2 - We depend on internal data to monitor demand and supply, and it is up-to-date and drawn from systems integrated within the company.</p> <p>3 - Our value chain partners share information through key activities (e.g., collaborative demand forecasting with key customers, or collaborative planning with critical suppliers), enabling outside-in visibility of demand and supply on a regular basis.</p> <p>4 - We exchange real-time data with value chain partners through key activities and integrated systems, enabling outside-in visibility of demand and supply on a continuous basis.</p>
2.2) Risk Planning (Business Continuity Planning / Scenario Planning / Stress Testing)	0-4	EIU Survey	23.5%	<p>Does the Company plan for potential disruption either through business continuity plans, playbooks, scenario analysis, or stress tests? (Select all that apply)</p> <p>A - Developing business continuity plans and/or playbooks that identify triggers to activate plans and that outline steps to be taken in the event of a disruption</p> <p>B - Conducting scenario planning to better understand the effectiveness of different operational or tactical responses to shocks and the potential impact on our supply chain</p> <p>C - Stress testing our supply chain using a model, a digital twin, or a simulation to understand how the supply chain would react under extreme circumstances</p> <p>D - Regularly including suppliers or customers in risk management planning activities</p>
2.3) Risk Monitoring & Early Warning Systems	0-12	EIU Survey	23.5%	<p>How does the company monitor risks and threats in the supply chain? (Select all that apply)</p> <p>A - We monitor risks related to past disruptions we've experienced and warnings highlighted by governments or in the media.</p> <p>B - We conduct credit assessments and credit monitoring for critical suppliers</p> <p>C - We have defined key risk indicators with trigger levels and thresholds tailored to our risk appetite and tolerance</p> <p>D - We use AI-powered predictive analytics to analyze internal company data and external data (e.g., weather forecasts, social media, and market trends) to detect threats and provide early warnings in real-time</p>

# THE RESILIENT SUPPLY CHAIN BENCHMARK

## METHODOLOGY REPORT

Capabilities dimensions				
Operational capabilities				
Category/indicator	Unit	Source	Weights	Question
2.4) Supplier Collaboration	0-12	EIU Survey	23.5%	<p>Do you collaborate with your suppliers to promote your own company's resilience and your suppliers' resilience? (Select all that apply)</p> <p>A - Our critical suppliers share information with us about their critical suppliers and critical dependencies, strengthening our visibility into the extended supply chain            B - We have made decisions jointly with suppliers about optimal order quantity and inventory requirements            C - We have risk or revenue sharing agreements with some of our suppliers            D - We have accelerated payments to suppliers (e.g., through supply chain finance solutions such as reverse factoring)</p>
<b>3) Mitigate &amp; Respond</b>			<b>32.0%</b>	
3.1) Flexibility and Redundancy	0-12	EIU Survey	31.3%	<p>Have you created redundancy or flexibility in your supply chain to mitigate for potential disruptions? (Select all that apply)</p> <p>A - We maintain strategic inventory, stock, or excess capacity            B - We use multi-sourcing or backup sites for critical components and inputs            C - We maintain flexibility with suppliers to change order quantities, delivery schedules, or delivery modes and lanes            D - We have designed products and services in a way that increases supply chain flexibility (e.g., delayed differentiation or modularization)</p>
3.2.1) Agility - Responsiveness	0-3	EIU Survey	25.0%	<p>To what extent does the following statement accurately describe the agility of your company's response to supply chain disruptions:</p> <p>We respond dynamically to structural changes and market shifts, adapting quickly to gain competitive advantage and to provide uninterrupted supply.</p> <p>0 – Not at all accurate / Not sure            1 – Somewhat accurate            2 – Very accurate            3 – Completely accurate</p>
3.2.2) Agility - Velocity	0-12	EIU Survey	25.0%	<p>To what extent does the following statement accurately describe the agility of your company's response to supply chain disruptions? (Select all that apply)</p> <p>A - Our supply chain processes are highly streamlined with reduced inbound lead times            B - Our short product development cycle time enables us to bring new products to market more quickly than our competitors            C - Our supply chain culture enables rapid decision making and quick implementation            D - When necessary, we shorten planning cycles to understand and react more quickly to demand signals</p>
3.3) Safety and Security	0-4	EIU Survey	18.8%	<p>Which of the following steps has your company taken to ensure security and safety within the supply chain? (Select all that apply)</p> <p>A - Requiring suppliers to implement security measures for facility protection            B - Requiring suppliers to maintain an accidents management program, provide workers with Personal Protective Equipment, and train workers on workplace safety.            C - Controlling suppliers' access to data and critical systems to limit our vulnerability to cyber-attack and data breaches            D - Requiring suppliers to undergo independent reviews assessing compliance with cyber-security requirements.</p>



# THE RESILIENT SUPPLY CHAIN BENCHMARK

## METHODOLOGY REPORT

Strategic capabilities				
Category/indicator	Unit	Source	Weights	Question
<b>4) Lead</b>			<b>38.0%</b>	
4.1.1) Leadership	0-4	EIU Survey	26.3%	<p>Who manages your company's efforts to make your supply chain more sustainable?</p> <p>0 - We do not make efforts to increase sustainability in our supply chain            1 - An employee who is not at the managerial level            2 - A manager whose primary responsibilities are not in supply chain management            3 - A manager whose primary responsibilities are in supply chain management, but who does not report directly to an executive corporate officer            4 - A manager whose primary responsibilities are in supply chain management, and who reports directly to an executive corporate officer</p>
4.1.2) Corporate Commitments	0-2	Refinitiv Eikon	15.8%	<p>Is your company a signatory to the UN Global Compact and does it publish a CSR Report?</p> <p>0 - No, it is not a UN Global Signatory and it does not publish a CSR Sustainability Report            1 - The company is either a UN Global Signatory or it publishes a CSR Report, but not both            2 - The Company is a UN Global Signatory and it publishes a CSR Report</p>
4.1.3) Board Level Engagement	0-3	EIU Survey	21.1%	<p>To what extent does the following statement accurately describe how your company engages in supply chain risk management (SCRM):            Your Board of Directors is fully aware of the risks facing your supply chain.</p> <p>0 – Not at all accurate / Not sure            1 – Somewhat accurate            2 – Very accurate            3 – Completely accurate</p>
4.2) Organizational Learning	0-4	EIU Survey	15.8%	<p>How does your Company learn about systemic issues in your supply chain? (Select all that apply)</p> <p>A - We document risks and vulnerabilities in our supply chain revealed by near miss events ( i.e., occasions when our company came close to being negatively impacted)            B - We analyze past disruptions and their impact on our company (e.g., root cause analysis or after-action review), and translate what we learn into improved response strategies            C - We use risk-agnostic methods to learn about systemic issues in our supply chain (e.g., stress testing or simulations)            D - We use scenario analysis to understand the strategic impacts of risks on our company over longer time horizons</p>
4.3) Climate Risk Awareness	0-4	EIU Survey	21.1%	<p>In which of the following ways has your company accounted for climate change risks in supply chain risk management? (Select all that apply)</p> <p>A - Conducting scenario analyses or simulations to assess how our company will be impacted by climate change            B - Assessing how our suppliers will be impacted by climate change            C - Assessing how carbon pricing (e.g., a carbon tax, or a cap-and-trade system) would affect our company and our supply chain            D - Assessing how climate change will impact our customers and their communities</p>

# THE RESILIENT SUPPLY CHAIN BENCHMARK

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Strategic capabilities				
Category/indicator	Unit	Source	Weights	Question
<b>5) Build</b>			<b>32.0%</b>	
5.1) Supplier Relationships	0-4	EIU Survey	31.3%	<p>How does your company build strong relationships with suppliers? (Select all that apply)</p> <p>A - Directly helping some suppliers to remain solvent during times of crisis/disruption by means other than reverse factoring (e.g., guaranteeing bank loans to suppliers)</p> <p>B - Conducting joint, long-term planning with strategic supply chain partners to understand their long-term objectives and identify opportunities to work together over time.</p> <p>C - Collaborating with strategic supply chain partners in Joint Innovation or Joint Marketing initiatives</p> <p>D - Using a common performance-management system with strategic supply chain partners to enable the joint monitoring of progress across shared metrics and targets</p>
5.2) Supply Chain Workforce	0-4	EIU Survey	18.8%	<p>How does your company encourage its suppliers to adopt more socially sustainable practices towards its own workforce? (Select all that apply)</p> <p>A - Requiring suppliers to adopt a code of conduct regarding the ethical treatment of the workforce</p> <p>B - Monitoring and auditing suppliers for compliance with social responsibility requirements</p> <p>C - Suspending or ending partnerships with suppliers who do not comply with standards for the ethical treatment of their workforce</p> <p>D - Prioritizing working with SME suppliers, women-owned suppliers, or minority owned suppliers</p>
5.3) Customer Relationships	0-4	EIU Survey	25.0%	<p>How would you characterize your company's relationship with your customers? (Select all that apply)</p> <p>A - We educate our customers about responsible consumption, and environmental and social responsibility</p> <p>B - We have a strong understanding of our customer's expectations</p> <p>C - We provide our customers with a high level of customization</p> <p>D - Our customers have been loyal to our brand in the past 12 months</p>
5.4) Supply Chain Talent	0-12	EIU Survey	25.0%	<p>Do supply chain professionals in your company have the following leadership and professional competencies? (Select all that apply)</p> <p>A - Strategic thinking and long-term planning</p> <p>B - Effective communication and collaboration across internal functions and across the value chain</p> <p>C - Critical thinking and problem solving</p> <p>D - Evidence-based decision-making and data literacy</p>
<b>6) Transform</b>			<b>30.0%</b>	
6.1) Circularity	0-4	EIU Survey	20.0%	<p>Which of the following steps has your company taken to improve circularity in its supply chain? (Select all that apply)</p> <p>A - Setting targets for suppliers for waste recovery and recycling.</p> <p>B - Running a product takeback program to recover and repurpose materials from products returned by customers (i.e., reverse logistics)</p> <p>C - Designing for circularity when developing new products and services (e.g., extending useful life, or lease- or service-based sales models)</p> <p>D - Partnering with other organizations to advance circular supply chain initiatives (e.g., providing waste materials to another organization for repurposing)</p>

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Strategic capabilities				
Category/indicator	Unit	Source	Weights	Question
6.2) Environmental Sustainability	0-4	EIU Survey	26.7%	<p>Which of the following steps has your company taken to improve environmental performance in your supply chain? (Select all that apply)</p> <p>A - Setting targets to reduce supply chain-related carbon emissions (i.e., Scope 3 carbon emissions)</p> <p>B - Setting targets to reduce supply chain-related water usage.</p> <p>C - Hardening physical assets to withstand natural disasters</p> <p>D - Helping suppliers invest in environmental sustainability (e.g., wastewater treatment, resource efficiency, and GHG reduction) by sharing the financial costs or guaranteeing loans</p>
6.3) Strategic Supply Chain Risk Mitigation	0-12	EIU Survey	26.7%	<p>Have you structured your supply chain to adapt to changing or increased risk? (Select all that apply)</p> <p>A - We have rebalanced our supply chain to increase resilience by reshoring, nearshoring, or regionalizing our supply chain's footprint</p> <p>B - We have established warehousing or distribution centers closer to end markets</p> <p>C - We have lowered our product portfolio complexity, reducing the SKU count in our supply chain</p> <p>D - We segment our risk strategy based on key product differentiators (e.g., demand volatility, sales volume, or supplier profiles)</p>
6.4) Supply Chain Innovation	0-12	EIU Survey	26.7%	<p>Which of the following statements accurately describe how your company introduces innovations to build supply chain resilience? (Select all that apply)</p> <p>A - We have designed new products or services to avoid dependencies or vulnerabilities in the supply chain (e.g. dependence on rare earth minerals)</p> <p>B - We use prescriptive analytics with advanced supply chain modeling that enables rapid-decision-making and deeper understanding and control of the supply chain</p> <p>C - We use supply chain Control Towers to gain end-to-end supply chain visibility</p> <p>D - We proactively manage change, mobilizing support and buy-in from all levels when introducing supply chain innovations (e.g., strong change management for digital transformation)</p>

Performance Dimension				
Operational Performance				
Category / Indicator	Unit	Source	Weights	Question
<b>7) Recover</b>			<b>100.0%</b>	
7.1) Sensing	0-3	EIU Survey	50.0%	<p>To what extent does the following statement accurately describe how your company monitors risks and threats in the supply chain? My organization excels at detecting disruptions well in advance of when they begin to impact our supply chain.</p> <p>0 – Not at all accurate / Not sure</p> <p>1 – Somewhat accurate</p> <p>2 – Very accurate</p> <p>3 – Completely accurate</p>
7.2) Percentage Point Change in Operating Margin		Bloomberg, Refinitiv Elkon	25.0%	Calculated as the Year-on-Year Percentage Point Change in Operating Margin, where Operating Margin is calculated as Operating Income / Total revenue
7.3) Percentage Point Change in Return on Assets (ROA)		Bloomberg, Refinitiv Elkon	25.0%	Calculated as Year-on-Year % Change in ROA

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Performance Dimension				
Strategic Performance				
Category / Indicator	Unit	Source	Weights	Question
<b>8) Adapt</b>			<b>100.0%</b>	
8.1) % Change in Scope 3 Carbon Emissions	%	Refinitiv Eikon	30.0%	Calculated as the Year-on-Year % Change in Scope 3 Carbon Emissions
8.2) Resource Use	0-100	Refinitiv Eikon	30.0%	Drawn directly from the Resource Use Score in the Refinitiv Eikon database
8.3) Supplier Concentration	0-3	EIU Survey	40.0%	Do you agree with the following statement: We do not have any dependencies or vulnerabilities based on a concentration of critical suppliers in a single country or region.  0 – Not at all accurate / Not sure 1 – Somewhat accurate 2 – Very accurate 3 – Completely accurate

Background Indicators				
BG1) Percentage Point Change in Inventory Turnover		Bloomberg, Refinitiv Eikon	-	Calculated as the Year-on-Year Percentage Point Change in Inventory Turnover. Inventory Turnover is calculated as COGS / Inventory, or alternatively as Cost of Revenue / Inventory.
BG2) Percentage Point Change in Market Value		Bloomberg, Refinitiv Eikon	-	Calculated as the Year-on-Year Percentage Point Change in Market Value

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