CAMELOT
Management Consultants

Driving Value through Supply Chain Management in a Stagnating Environment

Nine Essential Actions

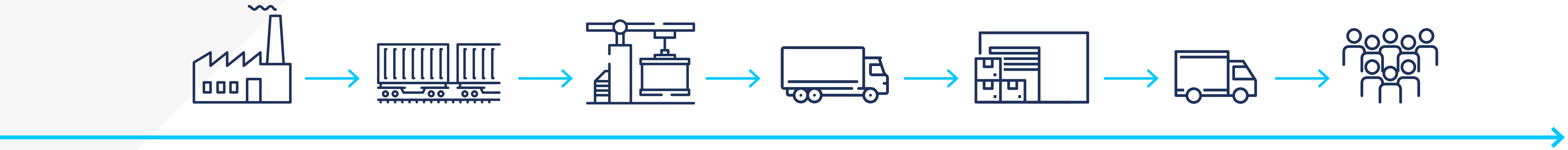
Thought Paper

Supply Chain Opportunities in a Stagnating Environment

Nine Essential Actions to Improve Your Supply Chain

In a global landscape of economic stagnation, **proactive and strategic supply chain management** is essential for companies that want to thrive, not just survive. In this thought paper, we have reflected on our client projects and distilled the **nine essential actions** companies should consider to navigate through the stagnant economy successfully. From streamlining your product portfolio and embedding customer value deeper into the processes to engaging in collaborative planning initiatives with suppliers, each action is designed **to strengthen business value, resilience, and efficiency** of your supply chain operations amid economic uncertainty.

1. **Streamline product portfolio based on total cost to serve**
2. **Re-price supply chain services based on customer value**
3. **Clean up unproductive stocks and re-invest**
4. **Include competitor intelligence and channel visibility into demand forecast**



5. **Joint plan adjustment and scenario planning with suppliers**
6. **Balance flexibility and efficiency in supply planning**
7. **Pro-active supplier screening for failure risk**
8. **Eliminate internal processes without clear customer relevance**
9. **Integrate cash flow perspective in S&OP/S&OE**

1 Streamline Product Portfolio Based on Total Cost to Serve

In today's dynamic business landscape, operational agility is the key to survival and success. Companies must adopt a strategic approach to their product portfolio management to excel in times of uncertainty and limited resources. Streamlining your product portfolio based on Total Cost to Serve (TCTS) is the compass that leads to leaner, more effective operations, and enhanced resilience in challenging economic conditions. **Systematically assess the full range of costs associated with producing, delivering, and supporting each product.**

→ **Prioritizing value**
To optimize your product portfolio effectively, prioritize products based on multiple dimensions, including margin, customer relevance, and strategic importance. Identify the champions that drive profitability and sustainable growth, while pinpointing underperformers that not only consume resources but also provide minimal business contribution.

→ **Defining strategic actions**
With a clear understanding of your product landscape, define concrete actions. These actions may involve divesting low-performing products to free up resources, or they could focus on simplifying associated supply chain services to reduce complexity. Simultaneously, channel resources towards expanding high-value products that promise growth and market relevance.

2 Re-Price Supply Chain Services Based on Customer Value

In challenging times, organizations seek ways to **enhance efficiency and sustain customer loyalty** where it matters most. The introduction of a Supply Chain Service Catalog is an invaluable strategy that supports these objectives.

Standardized operations, improved satisfaction of key customers, and reduced costs play a pivotal role in supporting sales strategies while ensuring cost efficiency and transparency in supply chain operations. The definition and implementation of optimized supply chain services require careful analysis, stakeholder engagement, and continuous review to realize their full benefits.

- Compile a list of **key supply chain services offered**, including SLAs and pricing, if existing.
- Involve key internal stakeholders like sales, manufacturing, and logistics. Include external service providers, customers, and partners in the development and review of structured supply chain service bundles and give them an updated **price tag**.
- Connect customer profiles and service bundles with **clear business rules and targets**.
- **Regularly review, update, and improve** the catalog based on feedback from users and changes in the business environment.

3 Clean up Unproductive Stocks and Re-Invest

Economic stagnation demands efficient inventory management. The presence of **excess inventory** not only consumes valuable warehouse space but also ties up capital that could be better used elsewhere to secure and grow your business.

The benefits are impressive: **freeing up capital** from dead stocks enhances your liquidity position, optimal safety stocks ensure that customer demands are met promptly and accurately, and capital can be strategically **re-invested** in areas that drive customer loyalty and business growth.

The key measures for success:

→ **Inventory audit & analysis**
Identify and eliminate dead stocks, and determine drivers for excess i nventory, such as demand and supply volatility or wrong forecasts.

→ **Safety stock optimization**
Implement data-driven approaches to maintaining optimal safety stock levels, leading to an overall reduction in stock levels.

→ **Strategic reinvestment**
Reallocate the freed capital to customer retention and business growth initiatives.

4 Include Competitor Intelligence and Channel Visibility into Demand Forecasting

In periods of economic uncertainty, demand forecasts tend to be highly variable. Supply chains are faced with customers who order less due to declining sales and inventory clearance, and competition might push supply into the market to keep the business running.

By integrating **competitor intelligence and channel visibility** into your demand forecasting as a proactive measure to improve accuracy, you not only navigate through market volatility effectively but also set the stage for future growth and stability.

To achieve these goals, supply chain organizations should:

- Intensify talks with customers to understand **expected market dynamics** based on inventory levels and potential demand upsides and downsides.
- Gather specific **information on your competition** through customers, intermediate supply chain partners like distributors, etc.
- **Share information** as a standard in S&OP and other cross-functional business meetings.

5 Joint Plan Adjustment and Scenario Planning with Suppliers

Close collaboration with key suppliers isn't just a need; it is a prerequisite for supply chain success in today's unpredictable landscape. **Proactivity is the way forward** to jointly keep up with demand and avoid unpleasant surprises. With access to shared information and analytics, you can address challenges head-on, gain visibility into potential disruptions, and leverage shared assets and capabilities.

- **Engage in collective planning processes**, utilizing shared data and advanced analytics to make informed and proactive decisions.
- **Leverage integrated technology** platforms that facilitate seamless communication, information sharing, and collaborative planning.
- Ensure that you and your partners are aligned towards **common goals and objectives**, fostering a sense of shared responsibility and commitment to mutual success.

6 Balance Flexibility and Efficiency in Supply Planning

Especially in economically challenging times, it is vital for producing companies to remain **both flexible and efficient**. This balance allows them to respond to market changes effectively while maintaining operational efficiency and cost control.

While in some areas flexibility and efficiency can reinforce each other, for example by using a flexible diversified supplier network without the need to buffer against single-sourcing disruptions, in most cases an optimal trade-off has to be aimed for. Examples of such conflicts are supplier volume commitment versus on-demand ordering, production batch or campaign sizes, and dynamic adjustments of production sequences based on customer requests versus fixed schedules leading to optimized workflows.

- ⟶ Evaluate the **current state** of flexibility and efficiency in supply planning.
- ⟶ Develop a strategy that outlines the **optimal balance** between flexibility and efficiency based on business objectives.
- ⟶ Conduct **“what-if”** analysis and scenario planning to understand the implications of different trade-offs and to prepare for various market conditions.
- ⟶ Monitor **KPIs** that accurately reflect both flexibility and efficiency goals.
- ⟶ **Implement decisions** and ensure high impact through regular reviews.

7 Eliminate Internal Processes without Customer Relevance

In times of economic stagnation, when consumer demand dips and market uncertainty rises, it is imperative to streamline or **eliminate non-customer-centric processes** in supply chain management.

The impact is impressive:

→ **Cost reduction**
Put all internal processes without customer focus to the test. Cut the fat and keep the muscle! Limited resources should generate maximum value. Eliminate redundant processes and sharpen your procedures for agility and responsiveness.

→ **Value creation focus**
Align your operations with customer needs. When every process is customer-centric, you are not just meeting expectations—you are exceeding them!

→ **Customer retention**
In unstable markets, your current customers are gold. Deliver consistently and earn high customer loyalty!

8 Pro-Active Supplier Screening for Failure Risk

Nowadays, a proactive approach towards managing supplier risks is not just beneficial but crucial for the continuity and efficiency of your supply chains. It allows for developing strategies and rapid **responses to potential supplier bankruptcies** or quality and supply issues. And it ensures that supplier cost-cutting measures do not compromise the integrity of your delivery performance.

Extend manufacturing management through active supplier integration:

- Build a resilient and cooperative supplier-manufacturer **relationship** for smooth operations.
- Engage especially **high-risk suppliers** regularly and conduct audits and evaluations.
- **Track the performance** of your suppliers more rigorously and include suitable KPIs in regular management meetings.

9 Integrate Cash Flow Perspective in S&OP/S&OE

Effective working capital management is the cornerstone of financial health and operational agility. It is not merely about balancing the books; it is about **optimizing resources**, ensuring liquidity, and fostering resilience. Especially in difficult economic times, managing cash flow end-to-end and with the highest transparency across the organization protects the company from unmanageable situations.

The impact is impressive:

→ **Tight integration of S&OP/S&OE and financial planning**
Seamless alignment between Sales and Operations Planning (S&OP/S&OE) and financial planning is essential. Break down the silos and ensure that operational decisions are intrinsically linked to financial implications. This approach facilitates better coordination across departments and ensures that working capital is a central consideration in every decision.

→ **Cash flow reflected scenario planning**
Cash flow is not just a finance concern; it is a business-wide imperative. Incorporate cash flow projections as a standard input factor in scenario planning. This practice helps anticipate liquidity needs and adjust operational plans accordingly. By making cash flow a part of your scenario analysis, you will gain a forward-looking view that guides prudent decision-making.

Summary

To drive value through supply chain management in a stagnating environment, companies need strategies that ensure optimized resource utilization, enhanced resilience, and sustained customer loyalty.

By streamlining product portfolios, re-pricing services with a customer focus, and efficiently managing inventories, businesses can expect operational transparency and cost efficiency. Proactive collaboration with suppliers, informed demand forecasting, and strategic planning further empower companies to navigate market volatility effectively while ensuring stable growth.

This guide is a roadmap for businesses aiming not only to withstand but to capitalize on the conditions of a stagnating economy.

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We are a global management and technology consulting firm focusing on value chain management. Our mission: turning our clients' value chains into a competitive advantage and creating lasting impact where our clients need it most. By combining our industry focus, value chain process expertise, and technology know-how, we guide our clients from strategy to sustainable technology adoption.

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Why Camelot

→ Camelot is a recognized global consulting leader for value chain management. For more than 25 years we have been helping our clients transform their value chains into competitive advantage – from strategy to tangible business value.

→ We are practitioners with a first-hand understanding of your industry's challenges, trends, and leading practices. With industry-specific blueprints and approaches, we guide quick value capture.

→ Camelot effectively connects strategy with data science, digital solutions, and implementation skills, using an agile concept development approach to drive superior business value.

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