



TOTAL LANDED COSTS OPTIMIZATION

A Changing Global Landscape

Global trade has become increasingly more complex! Rising tensions between China and the West have been significantly amplified in the aftermath of the coronavirus pandemic and popularity of trade protections in most industrialized countries. Once considered temporary, tariffs and other more structural actions to prevent dependence on China portend new world realities for Global Supply Chains, Value Propositions, and Time to Market. Once accepted design and sourcing strategies are now taking on dimensions of national security and economic stability. This in turn gives rise to new Global Challenges and Risks

- Changing geographic capabilities and economics
- Shifting political, trade, and economic policy - tariffs, incentives, conflicts
- High inertia to changes in manufacturing solutions

Coping with Change

How do free market enterprises cope with this new reality? If history is a guide, companies will simply react as they did with outsourcing in 1990s and shift Supply Chains out of China where possible. While effective in the short term, a more comprehensive and strategic approach may be advisable.

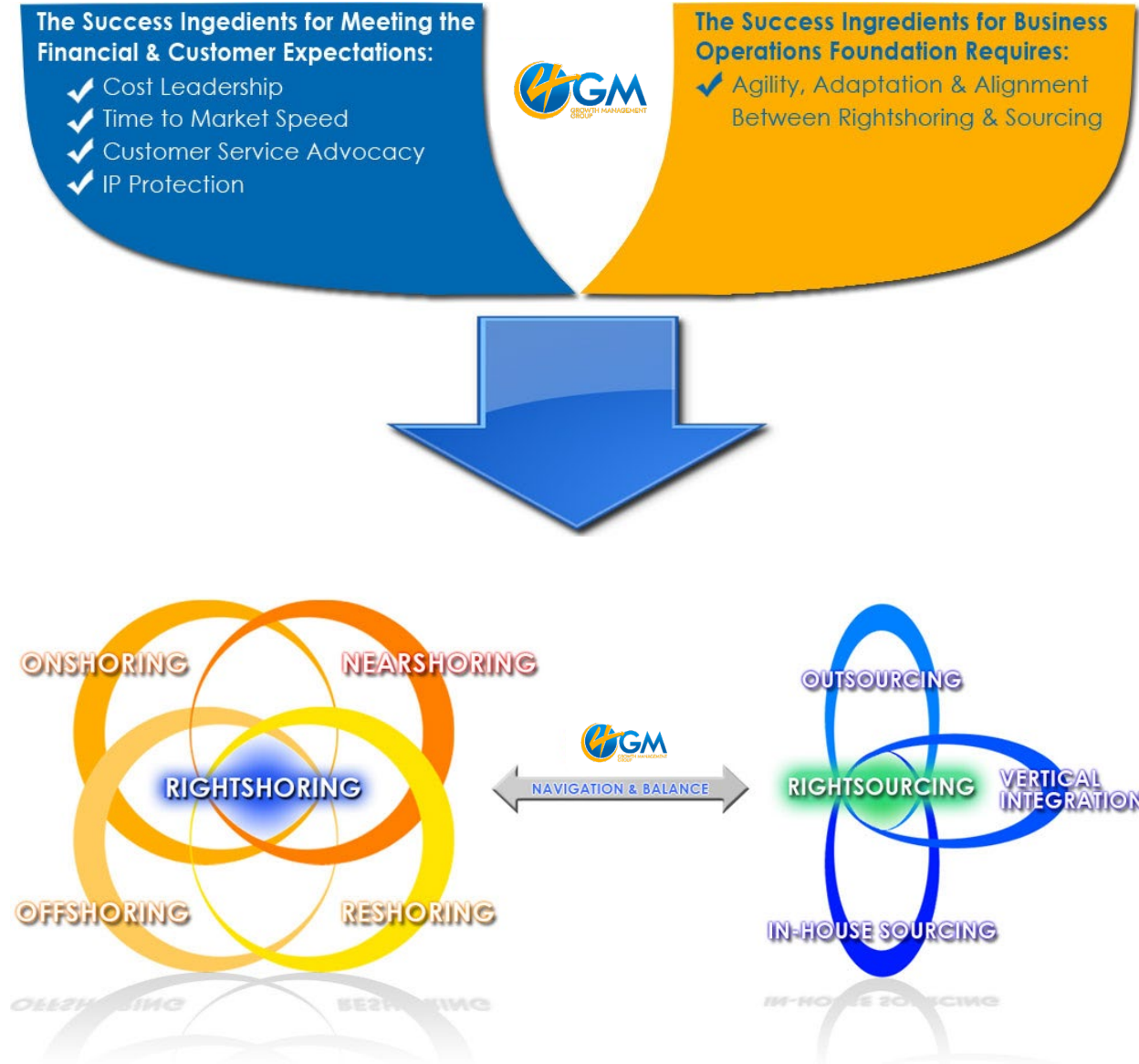
Will existing product lines need to be re-designed to minimize the dependence on Chinese suppliers? How should design and qualification practices adapt? How should contract language be re-written to provide flexibility in the face of uncertain trade policy?

Enterprises should ask themselves several questions before taking the next steps:

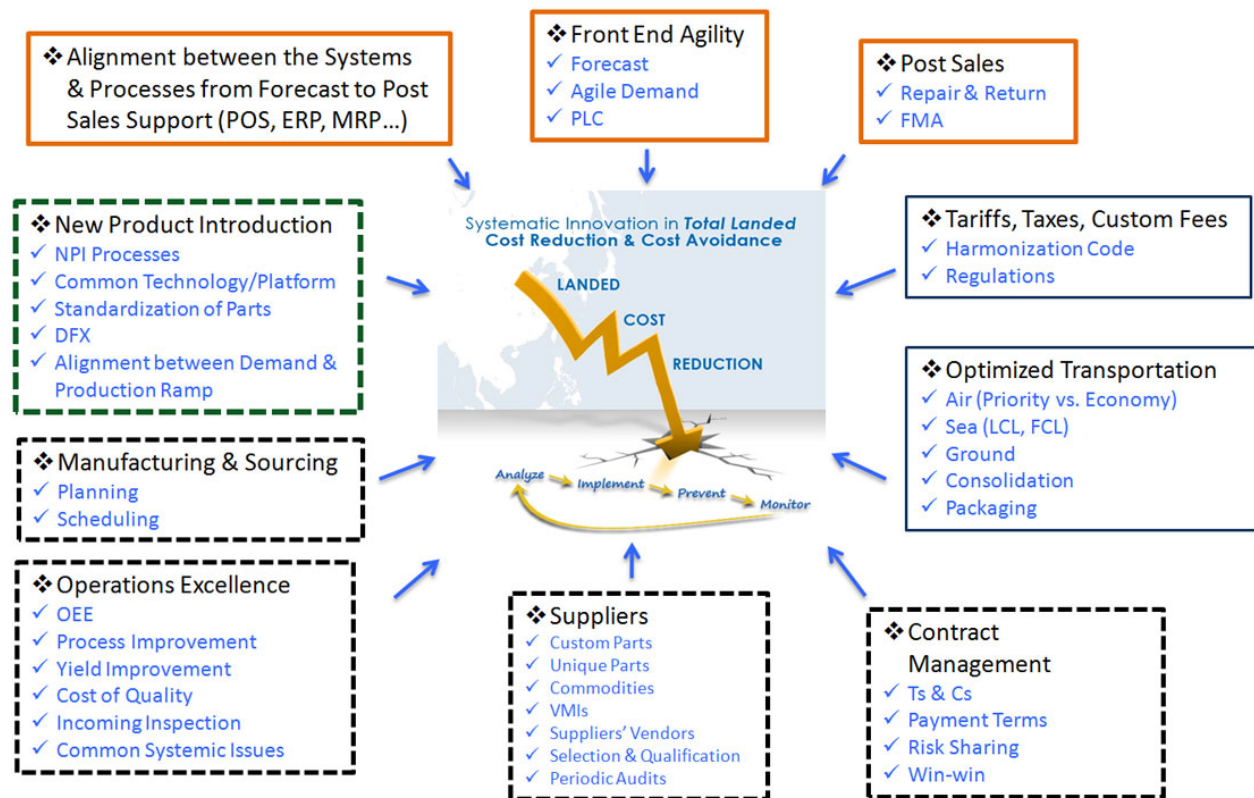
- A. Where are your Markets/Customers, what are their Cost Models, and what are their customers expectations?
- B. Are Time to Market/Cost/Performance expectations shifting?
- C. How are life cycle management and sustainability issues impacting your business model?
- D. What are the right Sourcing decisions for your products to be in line with the above question?
- E. How are trends in AI (Artificial Intelligence) going to impact your Total Landed Cost & Value Proposition?
- F. Your standard business practices and procedures need to change, but how?

What Actions Should be Taken?

Maintaining good Customer Intimacy can be accomplished by achieving an optimum supply chain strategy, what we call Right-Shoring & Right-Sourcing.



This is accomplished by doing a detailed evaluation of where your end Customers are, the impact on Total Lifecycle Management of your product lines (landed cost, delivery, Time to Market, serviceability, sustainability, end of life, etc.), and resiliency to global supply chain interruption. If these factors are considered independently the outcome is sure to be disappointing and less profitable.



This process borrows from Continuous Quality Improvement practices and consists of a four-step closed loop management practice; Analyze, Implement, Prevent, Monitor.