



Voice of the CSCO

CSCO imperatives for building supply chain resilience

Our recent conversation with chief supply chain officers (CSCOs) highlighted the complexities and considerations involved in managing supply chains and the need for risk mitigation, adaptability, and transparency in the face of current challenges.

The conversation got underway with a supply chain assessment by Jon Lang, head of Practice for Trade and Supply Chains at Eurasia Group. Lang's analysis centered on three focus areas. This included a discussion about national security, clean supply chain policy, and logistics—all intentioned on improving transparency and resilience.

For our gathering of CSCOs, Lang's analysis was appreciated and valued, but transparency and resilience were being outshined by current challenges such as east coast shippers transferring over to the west coast, shipping delays, choke points, container availability, inventory management, and vertical integration.

Mitigating risk by multiple means

A key agenda item for CSCOs is mitigating risks within the supply chain. The ongoing conflict in the Red Sea is disrupting shipping lanes. A medical supply CSCO offered his strategic approach. "With the ocean carriers, we're ensuring we have a primary and a backup and even a second backup for each lane." Another option pursued by this CSCO is being nimble and switching to a different destination port.

For a CSCO of a packaging company tasked with shipping from the US to China, the conflict in the Red Sea adds days to the delivery or longer. "It adds five days more to ship around Africa, but a lot of times cargo ships try to go through the Suez only to be turned around, and the date moves back."

Other CSCOs are mitigating risk by diversifying the supply chain and doing business with Tier 2 and Tier 3 suppliers. However, these suppliers are not always as reliable and secure as Tier 1. The reasons varied but were summarized by a CSCO of a major packaging company. "We've been burned in the past with Tier 2 and Tier 3 where we had multiple suppliers, but they had a single supplier of a critical material."

A packaging company CSCO offered an alternative way of reducing the risk with Tier 2 and Tier 3 suppliers. "How do I make my key suppliers less risky?" "I think it's a better solution for diversification because you don't have to switch suppliers. You just make your supplier base better."

An example of making key suppliers better is assisting them when they are distressed. The company parachutes in and dedicates resources until the distressed supplier gets back to robust health.

Starter thoughts

- Consider strategies that build in redundancy
- Look into AI and Generative AI (GenAI) solutions for risk mitigation
- Utilize third-party risk assessments and ongoing monitoring

Adapting to new realities

Our CSCO group is building inventory to combat disruptions in shipping, and leaning into tactics that diversify or reduce risk. Many companies with supply chain operations are adapting to clean supply chain policies that promote transparency, fairness, and inclusivity. Lang spoke in more detail about this. "Europe has been more forward leaning in this space intended to improve transparency, but also compel companies to identify and address issues of human rights and environmental degradation in their supply chains."

Our CSCOs also report moving their sourcing to other countries such as Vietnam and Mexico. Although there are pluses, such as nearshoring and lower labor costs, these moves come with challenges. Vietnam is experiencing power outages with rotating blackouts in the northern industrial zones. With Mexico, attention is on the border, but supplier business in Mexico is often a more practical issue.

"Some of our contract manufacturers in Mexico have a recurring seasonal problem," said the CSCO of a medical solutions provider. "Their workers return to their hometowns, and they often don't come back."

Other CSCOs are adapting by looking to expand what they control, like this medical supply CSCO. "We're looking at increasing the utilization of our private fleet and using the fleet in ways we haven't before."

Filed under thinking outside the box, one enterprising CSCO wants to create a new revenue stream for the company. “We should take control and act not only as our distributor but also serve as logistics services provider for other companies.”

For supplier management, some CSCOs are muscling through it while others are trying to leverage data to make suppliers more accountable. The CSCO of a multinational department store adapted by turning to audits and assessments for managing suppliers.

“We have begun engaging our suppliers with an IT audit and a risk assessment. For us to do business with them, suppliers go through the same type of evaluation as any net new technology purchase.”

One CSCO sees that times are changing. “We need a comfort level that suppliers are safe and secure with our data with their internal operations, so they are able to handle should something happen or quickly respond,” said the CSCO of a multinational department store.

For Lang, transparency is needed for compliance. “Supply chains are abandoning countries because they just can’t get the transparency needed to satisfy compliance requirements in the US and Europe.”

Whatever moves supply chains toward transparency, whether it is compliance with clean supply chain policies or CSCOs wanting more assurance and intelligence on their supply chains, it is a step in the right direction for equipping CSCOs with the data and metrics they need to report on in C-suite meetings.

With supply chains kicking into high gear for 2024 and faced with a myriad of challenges, the way forward shapes the agenda. It is focused on mitigating risk with shipping lanes disrupted and suppliers failing to meet expectations. CSCOs are thinking broader and bolder to adapt to new realities. Finally, transparency by way of regulations or technology may now be within reach.

Starter thoughts

- Shipping with countries like Vietnam may require government relations
- Be ready to address energy capacity issues in Vietnam’s industrial zones
- Conduct scenario risk planning with presidential elections in US and Mexico

Moving toward transparency

Clean supply chain policy reflects a move toward transparency for supply chains. However, transparency has been elusive and long sought after by CSCOs. Having better data on suppliers would support more accurate forecasting and build more assurance in inventories.


Starter thoughts

- Collaborate with digital transformation and IT teams on data needs
- Get out in front of clean supply chain policy by creating your own policy
- Raise the alarm of proprietary data held by third-party suppliers

Additional insights

Supply chain trends 2024: The digital shake-up

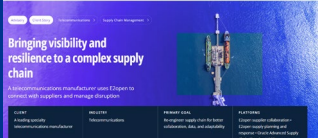
How digital opportunities emerging in the supply chain landscape, readiness and time of sight will be paramount to success



Supply chain trends 2024: The digital shake-up?

Bringing visibility and resilience to a complex supply chain


A cross-industry manufacturer case (Eaton is a critical supply) and storage disruption



Bringing visibility and resilience to a complex supply chain

Generative AI in supply chain: A path to better returns

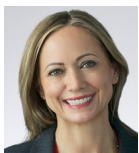
POC for AI Use Cases



Generative AI in supply chain: A path to better returns

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