Voice of the CSCO

A recurring conversation with CSCOs on the state of their supply chains.

February 2025

CSCOs seek proactive strategies amid rising tariffs

In a captivating start to the year, chief supply chain officers (CSCOs) encounter geopolitical risk that extends beyond the first quarter headlines. From tariffs and trade policies to technology controls, supply chain leaders are dealing with disruptions that affect forecasting, inventory, supplier relationships, and, of course, costs. CSCOs are seeking answers to challenges brought about by geopolitical risk. Many are partnering with industry leaders to share information, form a risk council, or create an internal team to monitor. Ultimately, CSCOs need to also see the big picture, from how pervasive tariffs, retaliatory measures, and trade policies can be to the actions that should be taken like developing a framework to game out the major risks. By doing so, CSCOs can stay ahead of tariffs and worry less about news headlines. CSCOs can begin to spot opportunity in risks and gain on the competition. Geopolitics is in full view. A CSCO's level of influence is what company leadership needs.

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Rise in geopolitical risk

Tariffs upend supply chain planning

Supply chains are ground zero for trade wars and countries implementing tariffs and taking retaliatory measures. CSCOs haven't dealt with a supply chain disruption this expansive since COVID-19.

Grant Harris, who created a first-of-its-kind Supply Chain Center as the former assistant secretary of Commerce for Industry and Analysis during the Biden administration, knows geopolitical risk has been a concern of CSCOs in recent years.

"We're talking about a strategic shift in how governments think about supply chains. It's manifested in technology controls, industrial policy, in using tariffs, and other restrictions."

Even so, CSCOs are most concerned about the here and now, and that's tariff actions around Canada, Mexico, and China. It's upended the day-to-day operations of supply chain leaders. The CSCO for an electric utility company puts it this way: "The big question we have is, 'When is the right time to address this, and how do we go about it?'"

Some CSCOs are a little shell shocked by the recent headlines impacting their business. Harris knows why CSCOs are feeling intense pressure.

"Supply chains are not collateral damage. They're the heart and soul and, therefore, the target of geopolitical and country policies."

For most CSCOs, it has been the uncertainty about tariffs that is interfering with forecasting, inventory, suppliers, and the cost base.

"Our trucks are ready," according to the CSCO of a technology provider. "We're clearing out the shelves of all our products that we want to ship to Canada and Mexico. What can we do to help our customers hit with a 25 percent tariff? In a lot of cases, they have choices."

The crux of the problem is tariffs and policies are set into motion that may or may not happen or last. Supply chain decisions are often longer term and intricate in detail.

"It's not that straightforward to switch plans or go to a different region," remarks the CSCO for a global leader in the pharmaceutical industry. "It's a four- to five-year deal compared to the late-breaking news of the shifting regulatory landscape approvals across the globe."

> "Looking at the complex geopolitical environment, this is going to take some strategic supply chain thinking."
>
> — Mary Rollman, KPMG US Supply Chain Advisory Leader

Mitigating risk and costs

CSCOs seek answers

CSCOs are seeking answers to manage tariff and trade policies that impact their supply chain operations. Some partner with industry leaders and share insights on which path to take. Others consult internally with government affairs, form a risk council, or create a team to monitor what is a fluid situation.

Some are taking more concrete steps. The CSCO for an electric utility company has developed a model that users can plug in different tariff rates, but there is an issue. “What do we do with this information now?”

The CSCO for a technology provider also has a model that factors in their top 20 product flows, which covers 90 percent of the value. However, the situation is more complex because the company is both the supplier and the importer. To add more complexity, there are also variables within tariffs like exclusions, carve-outs, and quotas that must be factored into the cost equation.

There is also the matter of transfer pricing, which can help minimize the impact from tariffs. Mary Rollman, KPMG US Supply Chain Advisory leader, shares her experience.

“Whenever our tax and accounting teams are doing the import activity and revisiting assessed numbers, the actual cost is surprising. There is a tremendous value of going through the transfer pricing exercise.”

While tariffs are a front-burner issue, what is simmering on the back burners for CSCOs are mid-range and long-term matters that impact business.

For example, the CSCO for a global company that manufactures batteries for vehicles, contemplates: “Do we continue to near shore in Mexico, or should we localize here in the US?”

It’s not an easy question to answer. Not all the data points are in and computable long term. Could tariffs and trade wars kick-start a major move? To the company’s credit, they’re already analyzing the cost differential for moving operations from Mexico to the US. It’s a move that would require a capital infusion that is noted as the biggest challenge.

CSCOs seek answers at a time for supply chains where there are more questions than answers. For clarity, CSCOs need to see the big picture and their role in it.

> “How do we mitigate some of the cost and longer term, continue to stay focused on consumer needs?”
>
> — CSCO for a US-based consumer product manufacturer

The big picture

Apply China lesson and rethink risk

Decoupling from China provided an important lesson to supply chain leaders. The CSCO for a leader in telecommunications summarizes their China experience.

"We've evolved over the last three years since the tariff started in China. We have better visibility into where our primary products are coming from down to the critical components. Understanding the visibility is to truly understand the risk exposure."

One lesson learned was to question the value of what is in the box. If the box contains a lot of things like power cords and consumer devices, then get them shipped from someplace else that is cheaper.

Grant Harris shares another lesson. "The market can influence supply chains, can cause reactions, and counter reactions. The speed at which things like tariffs can take place can upend a supply chain dramatically, so it influences what kind of strategies you would need to have ready."

The strategies that Harris has in mind address more than these first-quarter tariffs. It's a more holistic approach for a new world where supply chains must grapple with geopolitics. The US-China competition, the importance of critical minerals, and Taiwan's position as producer of over 90 percent of the most advanced semiconductors, all highlight the vulnerabilities and interdependencies within this system.

Harris advocates that CSCOs not only develop contingency plans and run scenarios, but also develop a framework to game out the largest risks. For Harris, it's not just about being ready to respond to each risk, it's about being proactive and taking advantage of an opportunity.

"Leverage the framework to prioritize the risks and refresh it on a quarterly basis," recommends Harris. "With each potential risk, there is also an opportunity that, with proactive steps, supply chains can accrue additional gains or run faster."

Think of the big picture and how your supply chain reacted to the COVID-19 pandemic—the way your supply chain responded, the collective response mustered by the company, and the commanding role you played as the CSCO to the C-suite and board. Geopolitics filled with tariffs, policies, and retaliation is in full view. Your level of influence is what your company's leadership needs.

> "Put tariffs in a broader geopolitical risk framework that distinguishes between short-, medium-, and long-term scenarios and plan accordingly."
>
> — Grant Harris, former assistant secretary of Commerce for Industry and Analysis

Considerations

- Track top 3–5 geopolitical risks
- Run scenario analysis for impact
- Share risk framework with CEO/board

Additional insights

Public Policy in Motion: Key Regulatory Changes for Businesses
Navigating increasingly complex supply chains: Five trends shaping the economic landscape
Trade and tariff reform insights
The Proximity Premium

Connect with us

Mary J. Rollman
US Supply Chain Advisory Leader
KPMG LLP
T: 617-988-1000
E: maryrollman@kpmg.com

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