



# Voice of the CSCO

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



May 2025

# CSCOs adapt tariff strategies and corral suppliers

In our conversations with chief supply chain officers (CSCOs), navigating the tariff landscape has become the top issue. It requires a multifaceted approach of short- to medium-term tactics paired with long-term strategies. Short-term tactics include stockpiling, delaying shipments, and using bonded warehouses or foreign trade zones to ensure supply and mitigate tariff costs. Long-term strategies focus on retooling or reengineering the supply network, like bringing product manufacturing into the US. Effective communication with leadership, employees, and

suppliers is crucial, often calling for weekly meetings with the chief executive officer (CEO), town hall meetings, and special tariff webpages that help create a shared understanding of the company's approach to tariffs. Data models and digital twins monitor tariff impacts weekly, ensuring that stakeholders are aware and prepared to handle tariff-related challenges. Tariffs are not the only challenge before CSCOs. Many are worried about labor and skill shortages, as well as excited about the potential from artificial intelligence (AI) and automation.

## On the CSCO agenda

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Adapt with tactics and tenacity

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### Data and communications

Tariffs show the way forward

# Tariff strategies

Adapt with tactics and tenacity

CSCOs are adapting to tariffs, using sourcing moves, scenario planning, supplier negotiations, communications, and other tactics. The mood among them has also changed reflective of a can-do spirit that one might label as tenacity.

KPMG Tax Principal Irina Vaysfeld, a 25-year veteran of global trade, notes what she recommends to clients.

“The biggest thing is having a short-to-medium- and long-term strategy.”

Supply chain strategy starts with an analysis of the supply chain network. Based on those findings, a cross-functional team of sales, supply

chain, and tax gets together and discusses mitigation strategies. The C-suite, especially the CEO, is kept abreast of discussions.

A medium-and long-term strategy for supply chains regarding tariffs involves tactics like stockpiling, delaying shipments, bonded warehouses, foreign trade zones, and alternative sourcing from a lower- or no-tariff country.

A supply chain leader for a major medical device manufacturer is executing the same playbook as other supply chains but is also looking at a long-term play.

“We might bring products into the US from our own manufacturing network, which could entail using our tier one distribution centers in the US to support Latin America, Canada, and others.”

Interestingly, supply chains were near-shored with Mexico and Canada as part a long-term strategy. Tariffs complicated the move. Said the CSCO of a major telecom, “During the pandemic, we pushed a lot of our suppliers to manufacture in Mexico. That came back to bite us.”

In her consulting work, Vaysfeld also finds herself answering the question, “foreign trade zone or bonded warehouse?”

“Foreign trade zones offer more savings than bonded warehouses. The duty locks in for the foreign trade zone when it enters the zone versus the bonded warehouse when it leaves. That could be a substantial difference.”

Sometimes planning doesn’t make sense. Tariffs are still too uncertain for many supply chain professionals. The CSCO of a major retailer put it bluntly.

“A big unknown for me is the ripple effects from the pause in tariffs. It’s creating too many what ifs. How do I make sure I’m prepared to receive shipments at this point?”

“Stutter step on inventory helps smooth out the current waves.”

— Mary Rollman, KPMG US Supply Chain Advisory Leader

# Corralling suppliers

## Assess risk and engage

Tariffs demand that CSCOs corral suppliers and assess risk. A major automaker's CSCO exemplified a supply chain professional's response.

"We quickly mapped not just our tier one suppliers where we're the direct importer but also their supply chains responsible for subcomponent parts. That gave us visibility around the financial impact and worst-case scenarios."

The CSCO of a technology enabler shared his thoughts that started with zeroing in on the top 20–30 flows, which account for 80 percent. A cross-functional team looked at their suppliers that carried the importer of record designation. A short-term

strategy formed first after supplier letters arrived stipulating that the company was responsible for the tariffs. The CSCO swung into action.

"I released a memo globally to our procurement teams indicating to them not to sign anything a supplier sends and escalate it up to our corporate office."

After letters received and memos distributed, cooler heads often prevail. The CSCO with the global aerospace, defense, and security company shared what they learned.

"We track every tariff that we might end up paying. There are ways to recoup it or be judicious across

sectors of collection where we might end up saying, we'll split the tariff with you or absorb it."

CSCOs are also tasked with teaching frontline personnel how to handle suppliers regarding tariffs. The CSCO for a major global aerospace, defense, and security company, encourages her employees to manage suppliers with an eye on risk.

"The initial reaction from our frontline teams is to rely on the supplier contract. We're trying to teach them to chunk up the risk, to question if it's worth the pushback."

Some companies enjoy tight relationships with their suppliers. For example, a leading floor products company in the US is the importer of record for the vast majority of its products and maintains tight relationships with suppliers. The CSCO shares their approach to tariffs.

"We have an end-to-end partnership with our suppliers and our retail customers to figure out how to navigate tariffs and mitigate the impacts. In the interim, we have a multiprong approach to reducing the duty impact across tariff engineering, within the context of HTS classification."

"After reporting out to the C-suite, your priority is duty mitigation strategies."

—Irina Vaysfeld, KPMG Tax Principal, International, Trade & Customs

# Data and communications

## Tariffs show the way forward

The season of tariffs has put supply chains in the spotlight, and CSCOs and their teams are meeting the moment. If the fruit of all this labor is data and visibility, then maybe it will be worth it. Supply chains would be best positioned for business in the second half of the 2020s.

Communicating with suppliers and retooling the supplier network are the best opportunities to establish data and visibility standards. Tariffs present a shared, albeit painful, experience between company and supplier that makes collaboration more possible.

For example, a healthcare company prioritizes tariff communications. The CSCO meets twice a week with the

CEO. The company holds town hall meetings to educate employees about tariffs. The website has a special tariff page. Throughout the network, from company to suppliers, the goal is to ensure everyone is aligned.

Another CSCO for a global medical technology company shared the value of data and technology that's come to light with tariffs.

"We took our network model and our digital twin and added on transfer pricing and matched it up against what we're seeing out of ACE. That scenario has worked well because we've built a foundation that is updated weekly. I'm able to meet

with the CEO to provide the latest updates and discuss maneuvers around spending and controls."

### Other supply chain priorities

With tariffs grabbing attention and monopolizing resources, it's easy to gloss over other priorities on the minds of CSCOs.

"Labor and skill shortages are a worldwide issue," remarked a CSCO who is also talking with his leaders about the digital fluency of their teams and how to figure out digital.

This initiated a discussion on digital transformations, their high failure rates, and the significance of change

management. Automation is the shiny object in the room. One CSCO sees where it fits, saying, "27 percent of our labor force in manufacturing a device are involved in an inspection. It's a good area for us to move to automated inspections by leveraging advances in machine learning and AI."

AI and automation could potentially ease labor shortages. No doubt this is a topic for the next conversation with CSCOs on the state of their supply chains.

"Automation could take some of the labor out."

—CSCO for a global medical technology company

# Considerations

- Strategize tariffs from every angle
- Forge closer ties with suppliers
- Leverage data and communications

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KPMG Tariff Modeler

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### Connect with us



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



**Irina Vaysfeld**  
Principal, Trade & Customs  
KPMG LLP  
**T:** 212-872-2973  
**E:** ivaysfeld@kpmg.com





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