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What to Do If the Tariff Wars are Turning Your Global Supply Chain Upside Down

Regain control and mitigate the impact to your bottom line by using Incorta to proactively and strategically respond to tariffs.

What's Happening

Thanks to the tariff wars, the U.S. economy is at the brink of destabilization—and it's only getting worse. On May 5, 2019, President Trump announced his intention to—within the week—increase from 10 percent to 25 percent tariffs on $200 billion of products produced in China and imported into the U.S. Executives at companies managing global supply chains are scrambling to understand the negative impact this action poses to their top and bottom lines—with no one wanting to get caught in the crossfire between these two giant economies.

Questions at the Top of Every Supply Chain Leader's Mind

Many companies—and the U.S. stock market—believed this threat, in fact, represented the prelude to the resolution of the 12-month trade war with China. They wondered:

- Is this threat purely a negotiation tactic by the U.S. Government, given that Chinese trade officials are arriving in Washington this week?
- Would the U.S. Government pose such an impractical threat, one that further destabilizes trade relations and—more importantly—negatively impacts U.S. businesses and consumers with potential inflation threats?
- Would tariffs kick in for the interim, only to be quickly lowered back down?
- Will businesses with goods waiting, in limbo, on the seas, soon receive the go-ahead to dock at U.S. ports?

These are the questions atop the mind of all supply chain executives. And, if hope were a strategy, the answer to each one of them would be a resounding "YES!" That's because supply chain executives— and the companies they represent—risk losing a lot if even just one of those answers is "No:" their company's market leadership position could be threatened, and erased company profits could lead to layoffs or even a failed business. Clearly a lot rides on those questions and answers.

But strategic, forward-looking executives, however, are asking an even more important question:

Is there a way to capitalize on this opportunity and convert the uncertainty caused by these tariff wars into a competitive advantage?

And the answer to that question is absolutely "**Yes!**" Here's how.

The More Pressing Tariff Questions that Strategic Supply Chain Leaders Ask

To convert the tariff threat into an opportunity, strategic supply chain leaders also ask—and can answer— these questions:

- With the threat of tariffs increasing to 25 percent within only 96 hours, should I consider expediting airfreight to beat the deadline?
- Once tariffs indeed rise to 25 percent after the deadline, should I dare risk loading subsequent scheduled freight shipments? Or do I do nothing except wait to see if anything gets resolved over the ensuing week, and potentially avoid overpaying the elevated 25 percent tariff?
- The U.S. Trade Representative has given an official notice of a new Tranche IV, covering $300 billion of goods that were targeted to have 25 percent tariffs imposed by the end of June 2019. How much do I extend working capital to expedite production and shipment of products under Tranche IV to beat the potential June 2019 deadline?
- How do I weigh the customer impacts of out-of-stocks that result from pausing production, if I decide to go that route because I'm betting on tariff resolution or reduction?
- What are my options for switching to secondary suppliers outside of China?
- What are the pros and cons of taking a gross margin hit versus raising prices with my customers? And what contractual and practical limitations regarding pricing strategy do I have with respect to my customers?

How to Achieve a Competitive Advantage with Tariffs: Data

THE WRONG WAY

Companies reacting to a crisis like the China Trade War might create a war room to answer tactical questions as they arose. In such a war room, supply chain, demand planning, and finance professionals would crunch data, assess risk, develop alternatives, and make recommendations to executive management. And they would attempt to leverage the systems in which they work—enterprise resource planning (ERP), Sales Inventory and Operations Planning (SIOP), sales forecasting, logistics, etc.—and enlist IT to help them extract data or to leverage data analytics or business intelligence (BI) tools.

This war room approach typically encounters two fundamental problems:

1. It can't keep pace with ever-changing internal and external scenarios.

The war room analysis cannot keep up with ever-changing executive demands or the extreme volatility of the situation on the ground. Any recommendation that's made begs further questions and new cycles of analysis, which are difficult or impossible to respond to in a timely manner. Or—even worse—before a given cycle of analysis can be presented and considered, it becomes irrelevant because the tariff situation has completely changed since the analysis began.

2. Common technologies can't respond fast enough to make a difference.

Traditional business systems and analytical tools cannot respond quickly enough to matter. Given this type of fire drill does not involve data or analysis that can be anticipated in advance, these analyses must be created anew and—if using traditional BI or analytics technologies—demand surprisingly long lead-times. Whether creating reports or dashboards within a single business system, or merging multiple data sources into a data warehouse (which forces the development of new ETL processes, data cubes, BI reports, etc.), these new initiatives stagnate or stall completely in an analytics' project queue backlog typically measured in weeks or even months. The result? Companies desperately attempt to complete this kind of urgent analysis using manual, error-prone, and ineffective approaches like spreadsheets.

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Tackling a Business Crisis like Tariffs Head-On—The Incorta Approach

Incorta offers a simpler yet more effective and powerful approach to tariff planning:

1. Gather the Harmonized Tariff Schedule (HTS) codes and other data related to the proposed/ enacted tariffs.

2. Map the HTS codes to the item master table in the ERP system.

3. Create visualizations (via Incorta's drag-and-drop functionality) on new, live, interactive dashboards.

Sound too good to be true? Nortek thought so, too, at first. But Incorta data analytics is a next-generation platform allowing supply chain leaders to have real-time operational intelligence at their fingertips whenever they need it.

- Incorta is powerful enough to crunch hundreds of millions of records of disparate data instantaneously, handle hundreds of joins across thousands of tables, and still deliver sub-second query times across hundreds of millions of records.
- And Incorta is agile enough to adapt to changing data without having to undergo the laborious processes that stifle real-time insight and a business's ability to proactively respond to changing tariff situations.

> *From a technological standpoint, being able to do joins at scale with incredible performance means all a business needs to focus on is mapping data and building interactive dashboards within the Incorta platform.*
>
> OSAMA ELKADY, CEO
> incorta

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Here's how Nortek addressed the challenges of the China Tariff situation using Incorta—and saved millions of dollars in the process.

How Nortek Tackled the Tariff Challenge

After implementing Incorta across the enterprise in a mere six weeks (as opposed to the months or years required by traditional data warehousing software), Nortek used Incorta's Direct Data Mapping feature to easily join its ERP, SIOP, and sales forecasting data (along with other data). Many hundreds of tables were joined, comprising many hundreds of millions of records.

Prior to Incorta, using traditional technologies for this kind of data complexity would require extensive ETL processes and the building of data cubes in order to arrive at an optimized data structure that could be performant. And it would take weeks or months to deliver the much-needed analysis.

Instead, with Incorta, Nortek was able to create within only a couple of hours a tool that:

- allowed executives to understand the larger financial impact of proposed tariffs on their business, supply chain, customers, and profitability;
- empowered executives to drill down into individual products, vendors, and transactions to understand the details behind the numbers;
- enabled business users to quickly perform what-if analyses to see how different scenarios and potential actions would affect Nortek's ability to serve its customers and earn a decent profit; and
- allowed users to see—via interactive dashboards ("insights")—summary views of data and instantaneously drill down into any data detail as was required.

Nortek's use of Incorta to proactively and dynamically handle the tariff situation dramatically changed the entire culture of decision-making at Nortek. Instead of asking specific, tactical questions of an analyst or building a temporary, ineffective war room, Nortek focused on building a robust tool its analysts and executives can put to good use well into the future. The previous question/answer dynamic gave way to a "data curiosity" mentality: now, with the tool in hand, users can follow the data down the proverbial rabbit hole and do all the what-if scenario analysis he or she wants.

In the end, Incorta's data analytics platform allowed Nortek's executive team to see—almost in real-time— how changes in the tariff situation affected its business. Incorta facilitated the decision-making process in such a way that decisions regarding its supply chain and customer pricing strategy—across thousands of products and customers—could be made within 24 hours of a major development in the China Trade War.

What previously would have taken weeks of round-the-clock war room work now is done in 24 hours thanks to Incorta's data analytics platform.

Want to see how Incorta can give you clarity in the face of a complex, volatile challenge like the global tariff war? Schedule a personalized demo, and we'll show you how Incorta can help.

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The Data Direct Platform™

ABOUT INCORTA

Incorta is the data analytics company on a mission to help data-driven enterprises be more agile and competitive by resolving their most complex data analytics challenges. Incorta's Direct Data Platform gives enterprises the means to acquire, enrich, analyze and act on their business data with unmatched speed, simplicity and insight. Backed by GV (formerly Google Ventures), Kleiner Perkins, M12 (formerly Microsoft Ventures), Telstra Ventures, and Sorenson Capital, Incorta powers analytics for some of the most valuable brands and organizations in the world. For today's most complex data and analytics challenges, Incorta partners with Fortune 5 to Global 2000 customers such as Broadcom, Vitamix, Equinix, and Credit Suisse.

For more information, visit https://www.incorta.com