



For Immediate Release

## The Enduring Value of Lean Supply Chains

*Lean supply chains are not dead – especially in times of volatility and uncertainty.*

**SINGAPORE, August 17, 2022**

IT IS EASY to forget about lean supply chains in a world where two-day, same-day and two-hour deliveries are becoming the norm.

On paper, lean supply chains, with their need for consistency, reliability, and repetition, are less suited to meet the demand of the individual consumer's ad-hoc online purchases.

But in the stampede of companies reviewing their network design in response to ongoing supply chain disruption, it is worth remembering the enduring value that a lean supply chain offers, says **Tim Foster, Head of Supply Chain and Logistics Advisory Asia Pacific at Cushman & Wakefield.**

"Inventory minimization is often used, erroneously, to highlight the weakness of a lean supply chain, especially in times of crisis," said Mr Foster.

"But at its heart, a lean supply chain focusses on inventory management optimization, not minimization."

[According to a recent report by Cushman & Wakefield](#)<sup>1</sup>, identifying future structural changes in supply and demand to prevent disruption ahead of time through a process of continual network review can minimize disruption to lean supply chains – although it notes that this applies to megatrends rather than cyclical volatility or black swan events such as COVID-19.

The report identifies three key trends impacting lean supply chains.

1. **Global trade growth is slowing.** There is a rise in domestic consumption most evident in mainland China, but that is also expected to occur in India and parts of Southeast Asia.

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<sup>1</sup> [Supply Chain Network Design and Optimisation: Keeping lean supply chains relevant in a post-pandemic world](#)

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2. **Customization is possible in lean supply chains.** Evolving customer demands for product customization need not be ignored. Identifying where product runs need to be split to produce ‘white label’ products or shortening production to allow customization by the end-customer, are both measures that can make customization possible within a lean approach, while also reducing raw material waste.
3. **Automation leads to optimization.** Two separate studies have found that as much as 30 percent of the workforce can be replaced by technology, but that nearly 63 percent of companies do not use technology to monitor their supply chain performance.

The report also notes that automation can improve supply chain transparency. According to figures in the report, more than two-thirds of companies do not have full supply chain visibility – something that Mr Foster says will increasingly become an issue for companies in the face of tougher Environmental, Social and Governance (ESG) reporting requirements.

“The cost of doing nothing from an ESG perspective is becoming greater,” he said.

“Consumers are becoming more aware of a company’s environmental footprint as reporting guidelines become more stringent. We also need to prepare for a future where the ability to access finance will be dependent on environmental performance.”

Mr Foster said that while the lean supply chain model is being challenged in the current volatility, he believes that adopting completely agile networks with their higher logistics costs, inventory holdings, and environmental impact would eventually prove unsustainable for many companies.

“While it’s important to service customers and maintain customer loyalty, it is coming at a great cost. I really believe we will see a return to more lean principles.”

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