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Demand Whiplash: A Practical Playbook for Manufacturers

OVERVIEW

The New Challenge Facing SMB Manufacturers

Most manufacturers start the quarter with a plan based on expected demand, supplier lead times, and inventory availability, but the challenge is that those assumptions can and do change quickly. A tariff increase affects costs, a supplier extends lead times, or a customer places an unexpected order, and suddenly, the plan that looked solid a month ago no longer reflects reality.

One month, you're carrying excess inventory that isn't moving as fast as expected. The next, you're rushing to replenish critical items to avoid missed shipments and production delays.

This is ***demand whiplash***.

It's the constant swing between having too much inventory and not enough, often driven by factors outside your control. For many SMB manufacturers, it's become a normal part of doing business. Supply chains remain unpredictable, customer buying patterns continue to shift, and global events can impact sourcing, costs, and lead times with very little warning.

The good news: you can control how prepared your operation is to respond. This guide walks through five practical ways manufacturers can improve resilience, reduce risk, and make more confident inventory and sourcing decisions.

In this whitepaper, you'll learn how to:

- Identify the SKUs driving the most inventory volatility
- Adjust safety stock levels as demand and lead times change
- Build sourcing contingency plans before disruptions occur
- Create early warning signals that help your team act faster
- Improve resilience without replacing your existing system

Why Static Planning Falls Short

There are three reasons traditional planning struggles today, and none of them have anything to do with how hard your team works.

Last year is no longer a reliable baseline.
Most SMB manufacturers start with prior-year sales and adjust from there. That works when demand is steady, but breaks down when the previous year was shaped by tariff-driven buying, customer destocking, supply shortages, or other disruptions. You end up building plans around data that may no longer reflect what's actually happening.

Anyone running a manufacturing operation today has lived through multiple supply chain disruptions in recent years. McKinsey's latest Supply Chain Risk Survey found that **82% of companies were affected by new tariffs in 2025**, with 20% to 40% of their supply chain activity impacted. This isn't bad luck. It's the reality manufacturers are planning around today.

Source: McKinsey & Company, Supply Chain Risk Survey, 2025. Verified.

Safety stock gets set once and then forgotten.
Many manufacturers established inventory buffers years ago when lead times were more predictable. When a supplier's lead time can double or halve within a quarter, a fixed buffer quickly becomes outdated. Set it too low, and you risk stockouts. Set it too high, and valuable cash gets tied up in inventory.

Reordering stays reactive.
"We order when we get low" worked when low meant several weeks of runway. When lead times stretch from four weeks to sixteen, low means you're already late. Of all the habits on this list, reactive ordering is one of the hardest to sustain when volatility increases.

The common thread: Conditions are changing faster than most planning processes were designed to handle. You don't solve that by working harder within the same process. You solve it by building a planning rhythm that can adapt as conditions change.

The Five-Step Playbook

You can't beat volatility with prediction alone. You beat it with structure—five steps, in order. Each step builds on the one before it, and all of them require discipline, consistency, and access to reliable data.

Step 1 — Map Your Real Demand Curves

Stop planning off a single average. Pull a few years of sales data and break it down, but don't treat every year equally. The last 12 months often tell you more about what's coming next than data from three years ago. Historical trends still matter, but recent demand patterns should carry more weight in your planning decisions.

Which SKUs are steady movers? Which ones swing up and down from month to month? They need different inventory strategies, and treating them the same is where a lot of planning problems start.

Do this at the SKU level, not the category level. Roughly a fifth of your SKUs will drive most of your volatility. Those are the ones worth the most planning attention. The rest can run on simpler rules, which helps planners focus their time where it has the biggest impact.

Step 2 — Make Safety Stock Dynamic

Static safety stock becomes less effective as demand patterns and lead times change. Tie your buffers to two things that actually move: demand variability for that SKU and variability in supplier lead times. Then review them on a regular cadence. Quarterly for your top movers, and anytime a supplier's lead time changes significantly.

The math doesn't need to be complicated. A simple formula based on demand variability and lead time will almost always outperform a fixed number. Done well, this can free up working capital while protecting service levels, with the biggest gains often coming from your highest-volume SKUs.

Step 3 — Run Sourcing Scenarios Before You Need Them

Resilience isn't about predicting every disruption. It's about knowing what you'll do when one shows up. For any input that's more than a small slice of COGS, model two futures: business as usual, and the stress case where lead time doubles, price jumps, or demand swings hard.

Then write down how you'd respond to each scenario. Where would you re-source? What changes could you make to the BOM? Would you adjust pricing? Most teams already know these answers in their gut, but writing them down before the pressure hits is the difference between making a decision and panicking.

Let this be a lesson: manufacturers who went into the last tariff round with a plan moved in days; the ones making it up as they went lost a quarter.

Step 4 — Diversify Before the Disruption, Not During It

Single-source dependencies are a tax you don't notice until the supplier goes down. A backup source, even at a slightly higher unit cost, is cheap insurance against a line stop, which can cost many times that premium.

Here's a rule that works: for any input where a four-week gap would halt production, you need a qualified second source. Qualified means you've actually placed orders with them in the last year, not just saved their contact information. An alternate supplier you've never purchased from may not be much help when you suddenly need them.

And you don't need a 50/50 split to make it work—send the secondary supplier enough volume, maybe ten or twenty percent, to keep the relationship active and reliable.

Step 5 — Build Early-Warning Signals

The best supply teams don't predict shocks. They spot the warning signs sooner than everyone else. You don't need a real-time dashboard for that. You need a short, consistent weekly review where one person owns a simple question: Is anything changing?

Watch the signals that usually show up before bigger problems. Is a supplier's lead time trending upward? Are vendors becoming less willing to honor quoted pricing? Are key customers pulling orders forward or quietly reducing purchases? Are tariffs, freight costs, or material costs starting to move?

Catch a shock two weeks before your competitors, and you get two more weeks of runway, which is usually the whole difference between absorbing it and being absorbed.

If you do one thing from this playbook this quarter, make it the weekly signals review. It's simple, practical, and something most manufacturers can start doing immediately without changing a single system.

The Tool: A Weekly Signals-Review Template

Run this as a 15-minute review each week, focused on your highest-volume and most volatile SKUs. The goal isn't to create another report or spreadsheet. It's to establish a consistent process for spotting potential issues before they become a crisis.

Field	What You're Watching For
SKU / Family	The item or group under review
On-hand vs. Dynamic Safety Stock	Are inventory levels trending below target?
Days of Cover at Current Velocity	How long will inventory last at current demand levels?
Open POs + Supplier Lead-Time Trend	Is replenishment slowing down?
Demand vs. Forecast (Last 4 Weeks)	Is actual demand diverging from the plan?
Tariff / Cost Input Flag	Are any pricing or sourcing changes on the horizon?
Action / Owner	One decision, one accountable person

Most of what fills this table — live on-hand, reorder points, multi-location visibility, PO status — is exactly what Fishbowl surfaces automatically around your QuickBooks or Xero setup. That's what turns the weekly review from a spreadsheet rebuild into a five-minute glance

Bottom line

You can't predict every disruption, but you can build an operation that's better prepared to respond when one happens.

Resilience isn't about getting every forecast right. It's about having the processes, visibility, and data needed to make confident decisions when conditions change.

None of the five steps requires forecasting wizardry. What they do require is a reliable place to manage the data behind them—demand history by SKU, lead-time trends, supplier performance, sourcing plans, and inventory policies—and a consistent process for reviewing it.

Spreadsheets have helped many SMB manufacturers manage operations for years. The challenge is that today's planning cycles move faster, involve more variables, and require more visibility than spreadsheets were designed to support on their own.

The good news is that improving resilience doesn't require replacing everything you already use. Keep QuickBooks or Xero for accounting and add tools that help manage the operational side of the business—inventory, lead times, purchasing, manufacturing, and planning—so teams can respond faster and make better decisions with confidence.

About Fishbowl

Fishbowl is the leading inventory and manufacturing platform for QuickBooks and Xero users, helping SMB manufacturers manage inventory, production, purchasing, and fulfillment from a single system.

Whether you're trying to reduce stockouts, improve planning accuracy, or gain better visibility across operations, Fishbowl provides the tools and data needed to make faster, more informed decisions.

Book a 15-minute fit check