

# BOSTON STRATEGIES INTERNATIONAL

## December 2009 Newsletter

Dear Camila,

*The team at Boston Strategies International wishes you a joyful holiday season and a very happy new year! Please enjoy our last newsletter of 2009!*

[Table of Contents](#)

[Contracting Tips](#)

[Meet Vinodkumar](#)

[Featured Events](#)

[Free Research](#)

[Give Us Feedback](#)

## Contracting in Volatile Markets: Avoiding a "Train Wreck"

In the long run, economic volatility adds 13% to prices, particularly for capital-intensive manufacturers. Sales are lost while the market rises because of the lag time it takes to scale up capacity. In addition, when the market slides from its peak, low volume and heavily discounted prices fail to pay for excess capacity built during the upswing.

Many companies use long-term contracts to minimize these costs, but the term of the agreements is often too short and they often focus on price more than consistency of capacity, lead time, and service.

Buyers and suppliers of complex, highly engineered equipment and long lead time capital assets can mitigate the problem through closer collaboration with supply chain partners and "very long term contracts" (VLTCs) that share risk and maximize flexibility. VLTCs are characterized by: separation of the base load from incremental requirements; indexation of cost and prices; commitment to performance-based service levels; and options on peak capacity.

Click [here](#) for the highlights of our study on contracting in volatile markets.



## Meet Vinodkumar Raghothamarao

Vinodkumar Raghothamarao has joined BSI's Dubai office as an Associate. Kumar (for short) has seven years of supply chain experience at Vale (Brazil), Belbadi (UAE), and Ariba and i2 Technologies (US). He specializes in supply chain strategy, inventory optimization, and supply management. Vinodkumar received his MBA from the Spanish business school ESADE (Ranked No 1 by the Wall Street Journal and 7th by the Financial Times). To contact Vinodkumar, please email him at [vraghothamarao@bostonstrategies.com](mailto:vraghothamarao@bostonstrategies.com).



## Featured Upcoming Event

January 28-29, 2010: "[Economic Outlook and Strategies for Success](#)," Motor, Drives & Automation Systems 2010, Orlando, Florida.

Click [here](#) to see a complete list of our upcoming events.



## Free Research & Analysis

- [Your Supply Chain Costs Will Increase by 5% in 2010](#)
- [Creating Supply Chain Value through Logistics Partnerships](#), GCC Case Studies, 5th Trans Middle East, Bahrain 2009. Click [here](#) to see photos from the conference.

For more free research, please visit our website at [www.bostonstrategies.com](http://www.bostonstrategies.com).

## Give Us Feedback

If you have had an experience with Boston Strategies International - through an engagement, proposal, presentation, or even just based on this newsletter - please share your feedback.

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