

The Economics of Complexity

22/08/2025 Unlocking profit through product portfolio streamlining.

In the industrial heartlands of Europe, and particularly in Germany, a key pillar of success has long been the ability to tailor products to the specific and sometimes highly nuanced demands of customers. Over time, this commitment to customization has evolved into a default mode of product development: each customer request, no matter how small, finds its way into the portfolio. New variants are added, but few are ever retired. The result? A sprawling portfolio burdened with complexity.

This path-dependent growth often leads to portfolios with hundreds – if not thousands – of Stock Keeping Units (SKUs) that add little value. Many of them are produced in low volumes, deliver minimal margins, and require disproportionate internal effort. Yet, because they exist across multiple departments and systems, their full cost and impact remain obscured. It's only when organizations step back and conduct a systematic review that the magnitude of the problem becomes clear.

Read the whole article now.

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