



# 2017 European Supply Chain Report

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With additional insight from

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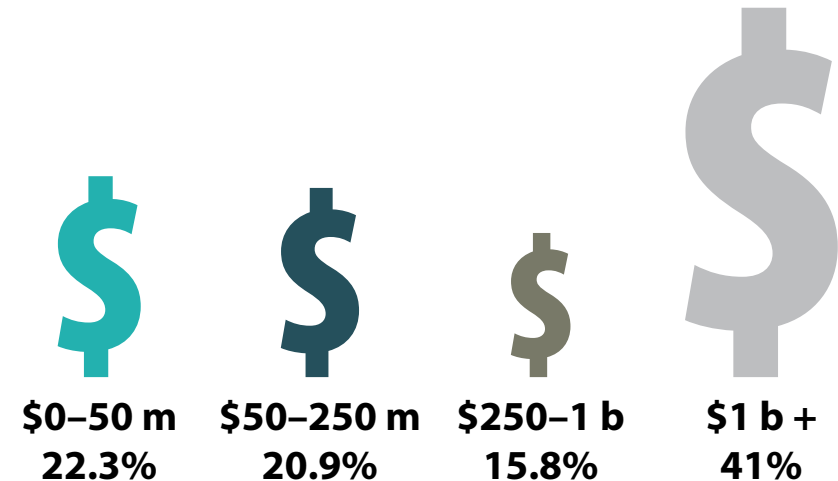
Raanan Cohen, CEO, Bringg



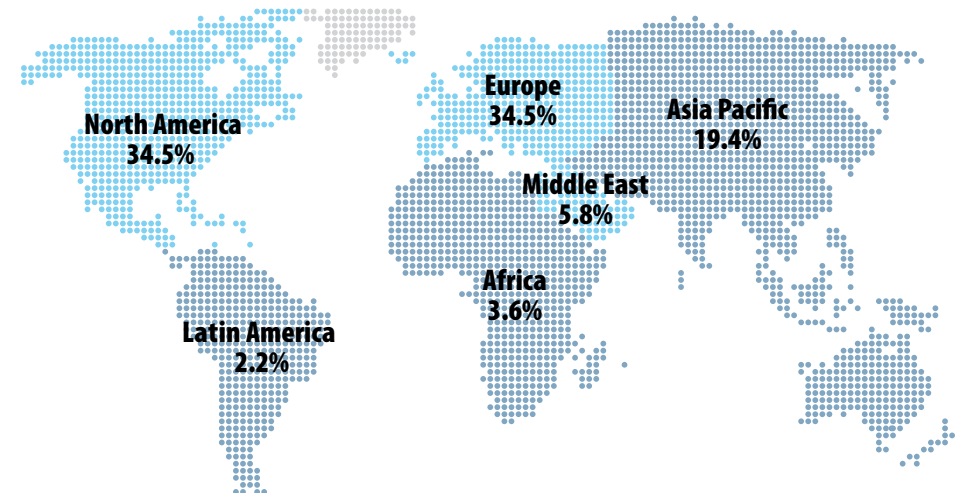
# Introduction

Supply chain has been in the midst of major change for many years now. eCommerce and mobile have really shifted how companies interact with their customers and consumers. Technology has also permeated every facet of the industry driving automation, cost-savings and increasing agility to market demands. This year, continued global shifts in demand, politics and strategy have added more complexity to the state of the supply chain. To help provide a better understanding of the state of the industry, we've polled 105 senior-level supply chain executives from manufacturers and retailers on the challenges, investments and shifts taking place in the industry. With so many factors playing a role in influencing supply chain strategy today, we have also received additional insight from leading supply chain executives: Ed Feitzinger, VP Logistics, Amazon, Mike Buseman, Chief Global Logistics & Operations Officer, Avnet, Jill Marcotte, Chief Supply Chain Officer, Dealer Tire and Raanan Cohen, CEO, Bringg.

## What is your company's annual revenue?



## What region are you based in?



**Count: 105 manufacturers and retailers**

# Executive summary

## Growth ► p. 5

- South Asia and East Asia both drop in terms of focus in 2016-2017 – Reflective of TPP falling apart?
- North America is seeing the biggest cost increases with a 10% jump in respondents reporting cost increases
- East Asia has dropped 15% in terms of cost increases being seen
- North America continues to be a leader in reducing supply chain friction – will this be short-lived?
- It certainly looks like it as North America also jumped 12% in terms of increased supply chain friction

## Challenges ► p. 9

- Talent availability continues to be a top challenge for manufacturers and retailers
- Inventory management also sees a big increase in terms of how it is challenging the supply chain
- But delivery costs are now the biggest challenge for eCommerce specifically

## Investment ► p. 11

- New geographical markets represent the biggest driver for investment in 2017
- Automation has slipped in terms of being an investment driver
- Logistics, warehousing and manufacturing are the top areas of automation implementation
- Cost remains the top priority for supply chain managers followed by service and reliability
- Visibility levels have dropped for a 3rd year in a row
- Willingness to share data has also dropped year on year

## CSR ► p. 16

- 60% of respondents classify CSR as Very Important or Integral to their supply chains
- Customer pressure is increasingly one of the biggest drivers for this
- Fair-trade, clean energy and pollution remain top priorities
- Over 50% of respondents are now actively using renewable energy in their supply chains

## Talent ► p. 19

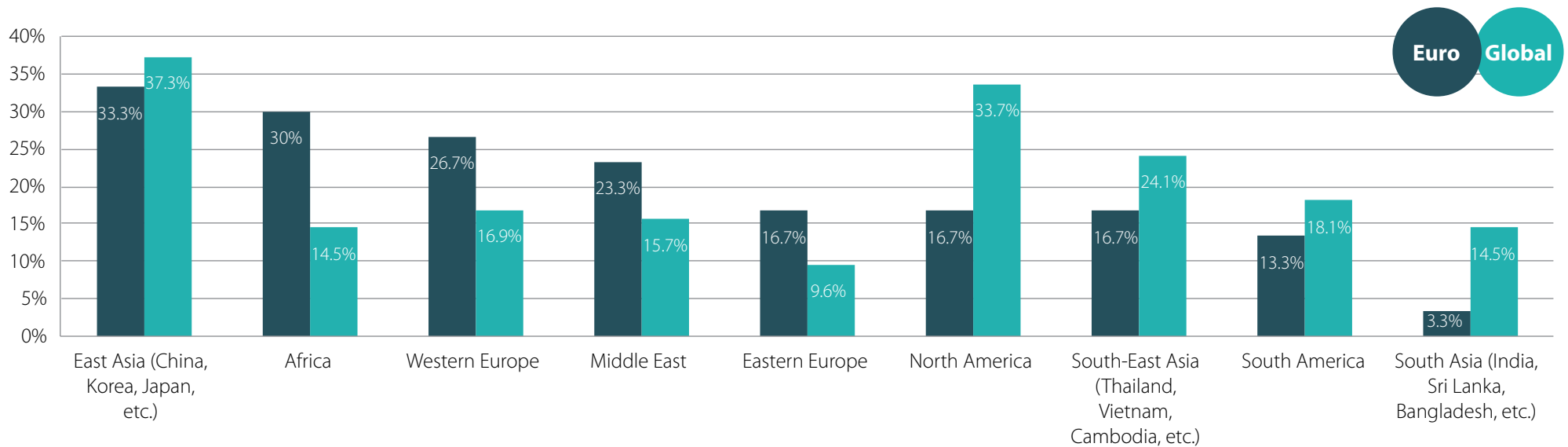
- 77% of supply chain executives report difficulties hiring the right talent
- A number of barriers continue to dissuade new talent into supply chain including: The behind the scenes nature of supply chain, lack of a clear career-path and non-competitive salaries

## Suppliers ► p. 21

- Only 43% of manufacturers and retailers would classify their supplier relationships as 'great'

# Growth

## In which regions are you seeing the biggest growth?

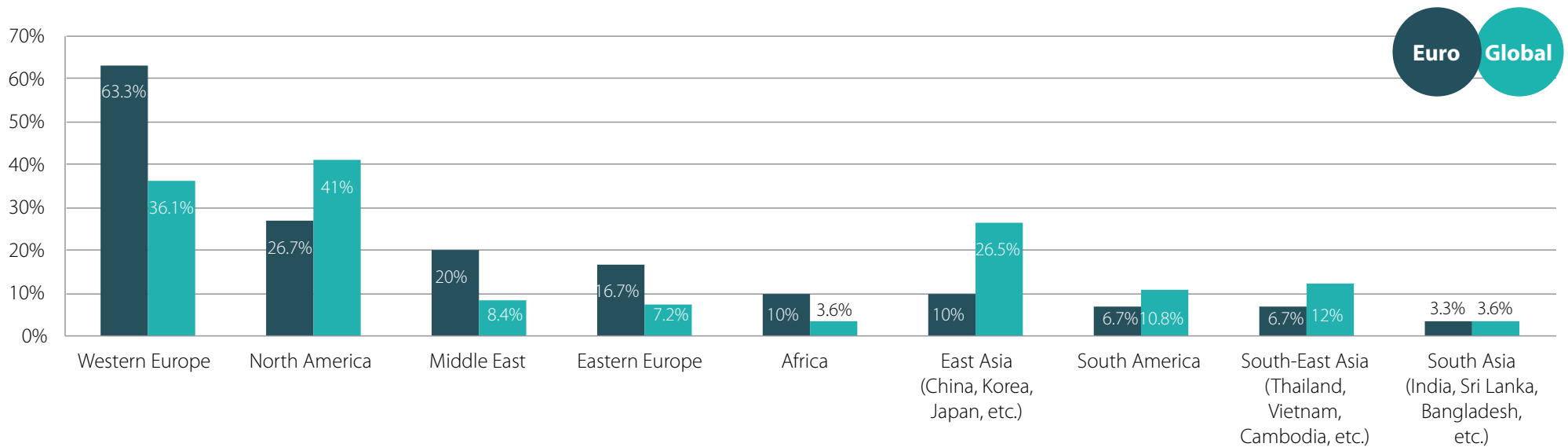


Growth regions remain consistent year on year without many major jumps. One of the biggest shifts has been South Asia's drop by approximately 8% and East Asia's drop by 11% year on year. This could be indicative of a sourcing shift in certain industries namely apparel and clothing. One factor for this shift could be the falling apart of TPP with the US backing out. That being said, given a number of current forces: anti-globalization, regulation, increased costs, labour availability and changing consumer habits, we're likely to see some significant jumps in this chart moving forward.

### Europe focus:

European perspective: East Asia remains the dominant area of growth for European respondents with Africa, the Middle East and Western Europe also seeing major growth. One of the key drivers for this is the fact that many senior supply chain executives in Europe have responsibility over the Middle East and Africa as well. As such, the results at the top of this chart aren't surprising. On the other hand, South Asia's rock-bottom ranking is surprising given how it ranks globally - 14.5% in 2017 and 22.2% in 2016.

## In which regions are you seeing the biggest increases in costs?



In fact we're beginning to see the impact of some of these forces on supply chains. When asked which regions are seeing the biggest cost increases, North America jumps 10% to the region with the biggest increases. There are likely many drivers for this but a high US dollar will be one of the primary reasons. Another driver is the relocation of supply chains back to North America – either because of changing network strategies, regulations or government pressures – and the associated costs with that.

### Europe focus:

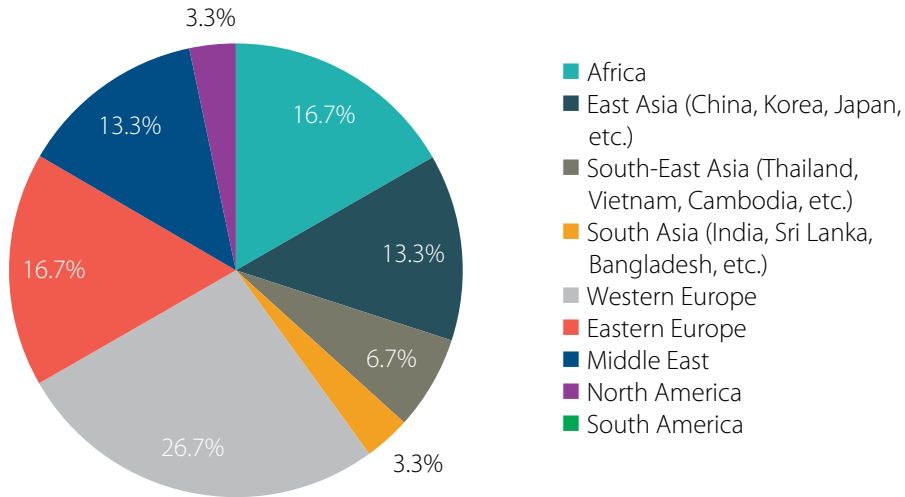
Europe is seeing the biggest increase in costs in Western Europe. Inflation has picked up in this region which might be one driver. In fact it is somewhat surprising that this is the region with the biggest increases in costs given the tanking of European currency compared with the US dollar. One reason for this might be that European executives have very specific regional focuses.



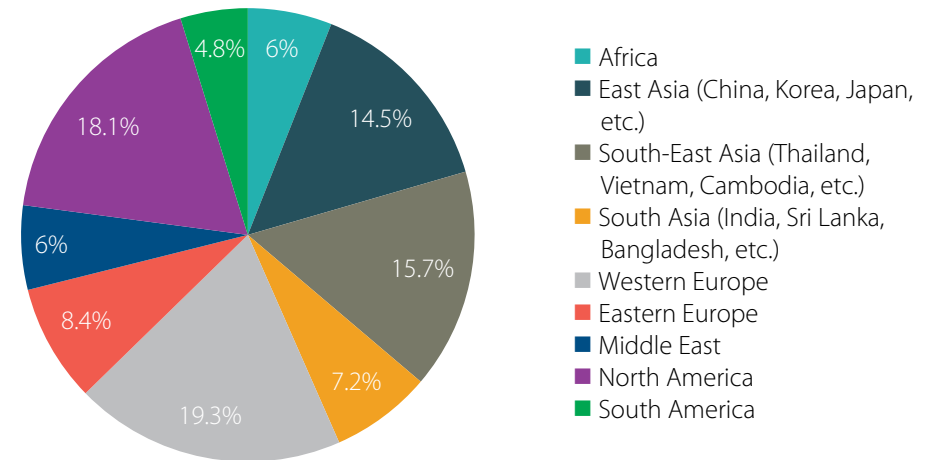
Euro

**Where are you seeing the biggest decreases in supply chain friction?  
(ie. Barriers to entry, lack of infrastructure, political risks, regulation etc.)**

Global



North America was again the region with the most dramatic shift between 2016 and 2017 rising approximately 3% and placing it as the second highest ranked region for lowering supply chain friction. Recent deregulation, a proximity to consumers and talent are likely drivers of this shift.



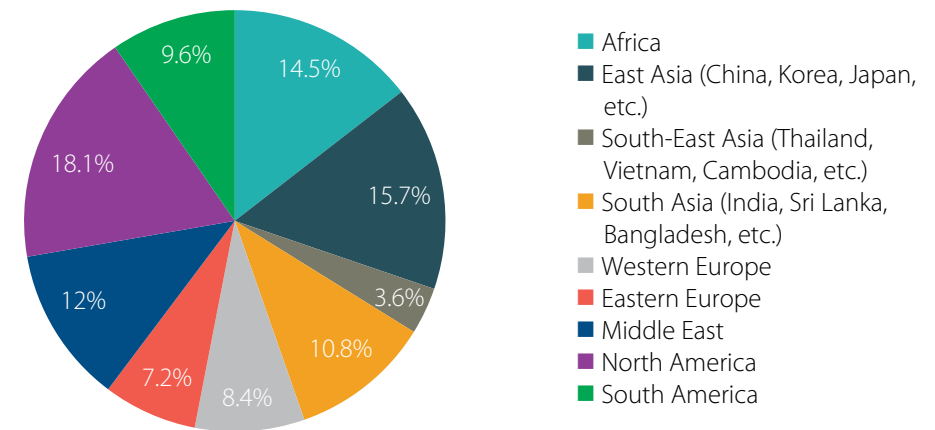
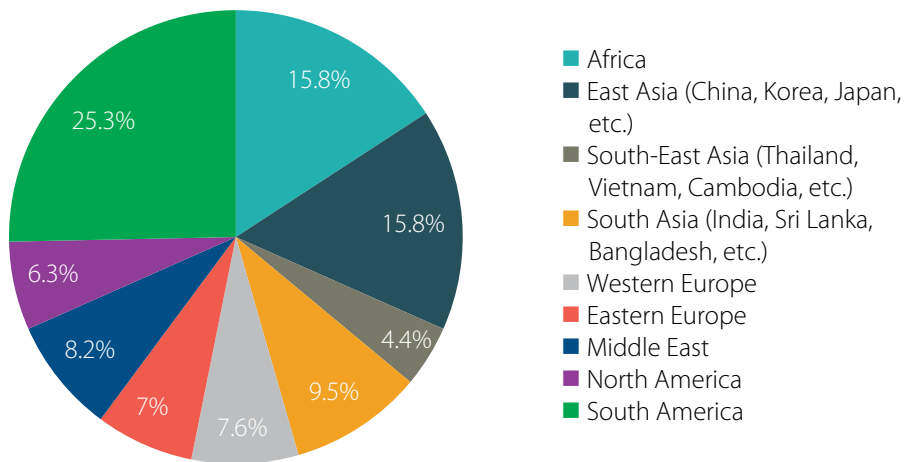
**Europe focus:**

Western Europe also represents the region with the biggest decreases in supply chain friction. What is interesting though, is that respondents are also identifying Africa as an area where friction is decreasing. Given the friction that has existed in the region - infrastructure difficulties, lack of established logistics networks, etc - even small increment changes can have a huge impact.

2016

## Where are you seeing the biggest increases in supply chain friction?

2017



Responses on supply chain friction changes will be highly dependent on companies with global supply chains vs. domestic ones. This perhaps goes some distance to explain the 12% rise in friction also identified by respondents for North America. Recent political news, talk of increasing barriers to entry and a continued weakening infrastructure will contribute to this increased sentiment. Until more clarity is shed on some of the proposed barriers and infrastructure projects uncertainty will continue to push North America higher.

**Where do you see the biggest threats for your supply chain?**

**Ed Feitzinger**

**Amazon**

**Vice President, Global Logistics**

**highlights one of the key challenges Amazon is addressing proactively.**

*"We've been building in order to increase capacity for our customers – we'll continue to do so."*

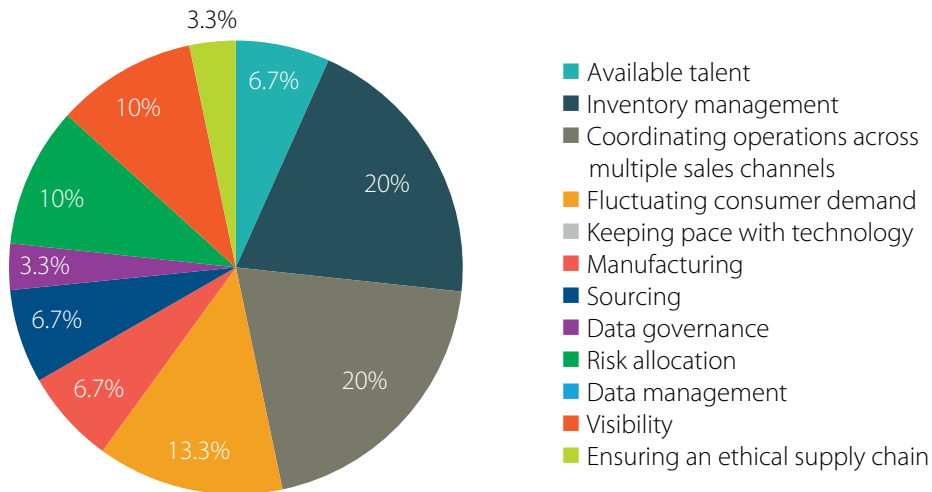


# Challenges

Euro

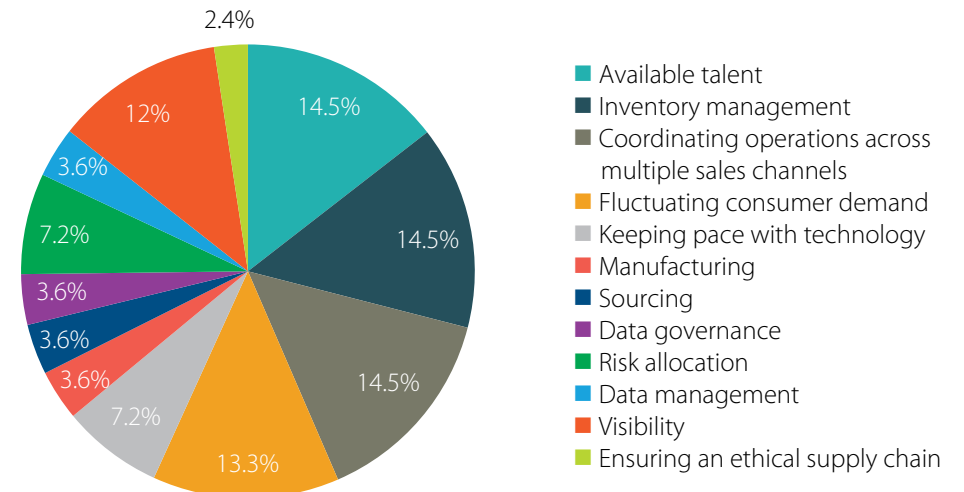
What is the biggest challenge you're facing in your supply chain?

Global



Overall, there was less consensus on the top challenges affecting supply chain. Available talent remains top with fluctuating consumer demand still a concern. One of the biggest increases was in inventory management – which is becoming more a strategic differentiator for supply chains with a major impact on cost.

Data management has also fallen by around 6% from 2016 to 2017. This could be in response to heavy investment in this area in previous years, and more confidence of supply chain executives in managing data.



## Europe focus:

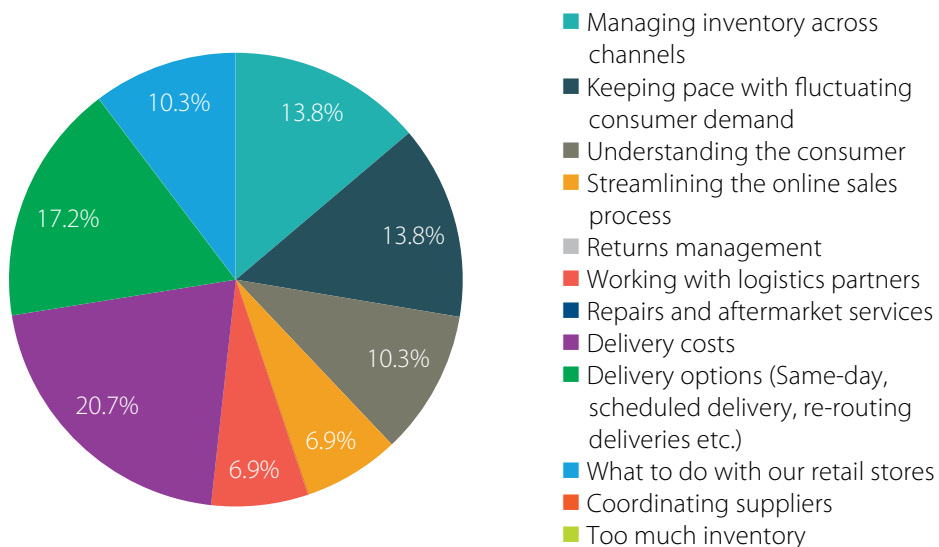
Coordinating operations across multiple sales channels was the clear leading challenge for European supply chain executives. The competitiveness of the European market - including different levels of eCommerce maturity across industry verticals and regions - further complicates this aspect of supply chain. In fact, businesses that are able to tackle cross-channel coordination are likely to be better placed to satisfy customers and meet demand effectively.



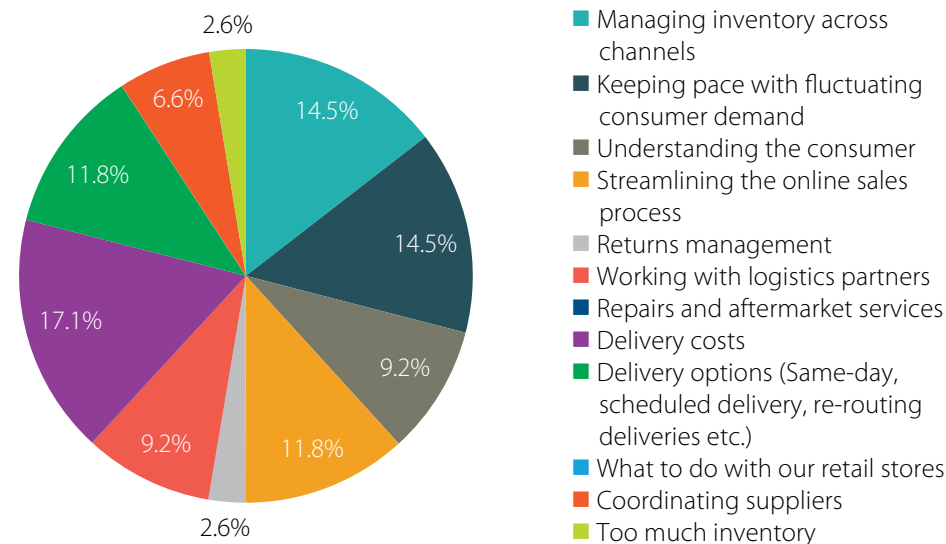
Euro

## What is the biggest challenge your organization is facing when it comes to eCommerce?

Global



On the eCommerce front, delivery costs are the biggest challenge. This is a big shift from 2016 where keeping pace with fluctuating demand was on top. One of the key drivers for this is the increase in volume of deliveries and the pressure last mile logistics providers are facing to maintain margins. Increasingly, retailers are realizing that their choice in last mile delivery is critical from the perspective of customer satisfaction. Given that the last mile effectively serves as the face of an online purchase, retailers are making careful decisions in selecting partners willing to keep their brand image intact and retain customer loyalty.



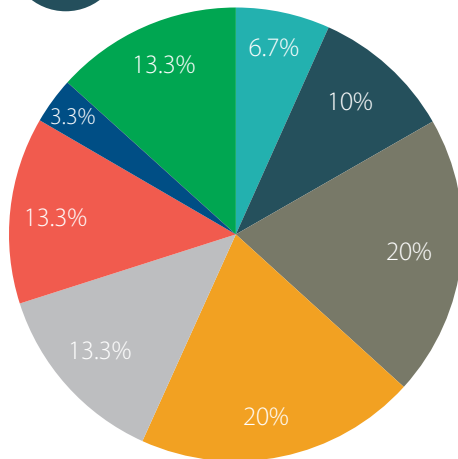
### Europe focus:

Delivery costs were also the biggest challenge for European supply chain executives. However, Delivery options comes in at a close second. Many retailers and drop-shippers in Europe are beginning to realize that their last mile offerings can be a differentiator for them and an important element in properly managing customer service.

# Investment

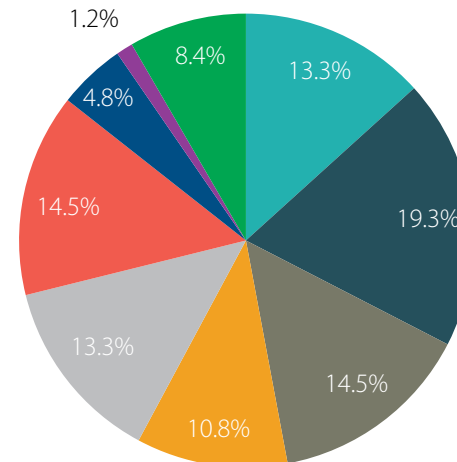
## Which of the following is driving increased spending in your supply chain?

Euro



- eCommerce
- Expansion into new geographical markets
- Data and analytics
- Direct to consumer sales
- Automation of the supply chain
- Cutting supply chain costs (investing to cut costs)
- Adding talent to the team
- Mobile-enabled consumers
- Customer service

Global



- eCommerce
- Expansion into new geographical markets
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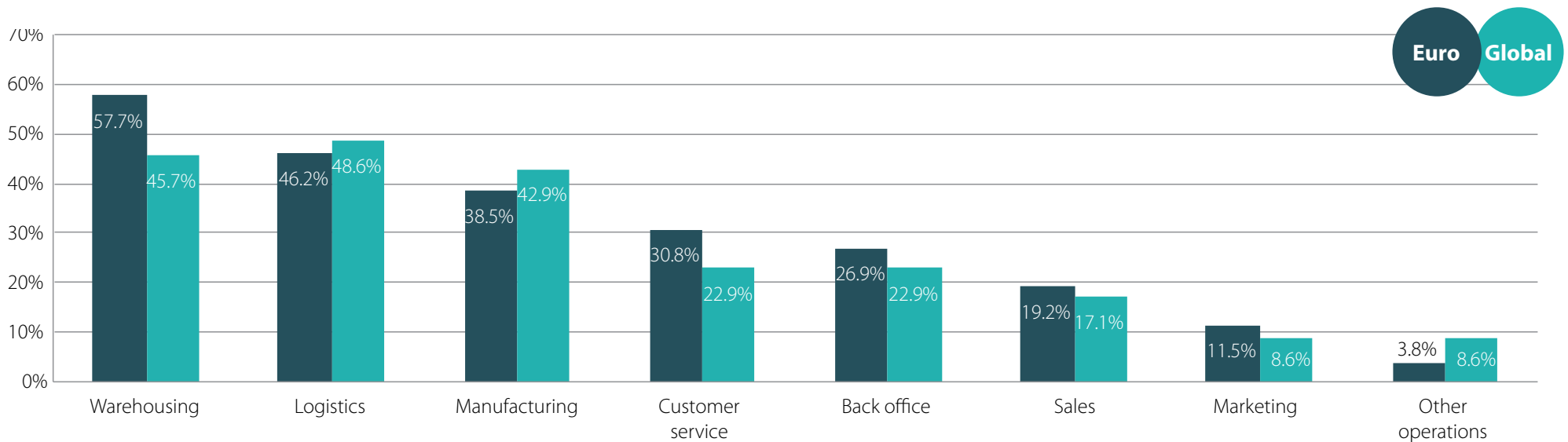
Investing to cut costs has historically been one of the biggest investment areas for senior supply chain decision-makers. In 2017 however, the number prioritizing this has dropped by half with expansion into new geographical markets taking over. While there could be a number of reasons for this, from eft's interviews with senior supply chain executives, supply chain network design and optimization have been huge priorities. This has included rejigging operations given changing demand. The costs associated with this level of change could be contributing to the jump of this specific segment.

Despite the amount of news coverage, automation has also been slipping down in terms of top priority for a number of major supply chain executives. That isn't to say that it isn't a priority, it is just to say that there are other more pressing things driving investments. Given automation's current fast-paced advancements, there is a sense that many supply chain decision makers are waiting to learn, observe and analyse rather than jump straight into investment in some of these areas.

### Europe focus:

European supply chain spending is driven by two key areas: Data analytics and direct to consumer sales. Data and analytics underpins the modern supply chain, so investment in this area is not surprising. On the other hand, direct to consumer sales is an interesting development. Suppliers are increasingly finding themselves incentivised to sell directly to consumers for two major reasons: the capabilities are now available that allow suppliers to do direct sales without the same expenditures as previously (you don't need to open a physical store); margins getting squeezed by major retailers looking to lower prices has also driven some suppliers to sell directly to consumers. This allows them to recuperate margins and maintain brand image without sacrificing sales.

## Where are you implementing automation into their supply chains?



Automation prioritization at the moment is predominantly on the operations side of things. With each of manufacturing, warehousing and logistics considered cost centres, it makes sense that these are focus areas for automation. Supply chain executives are looking to drive efficiencies in these areas to ensure their operations are as lean as possible without sacrificing customer experience.

### Europe focus:

In Europe, warehousing is seeing the biggest automation implementations. The competitiveness of eCommerce in the region will be one of the key drivers here whether fully automating processes are providing warehouse workers with the tools needed to make their jobs easier.

## Mike Buseman of Avnet discusses the automation they have integrated into their operations:

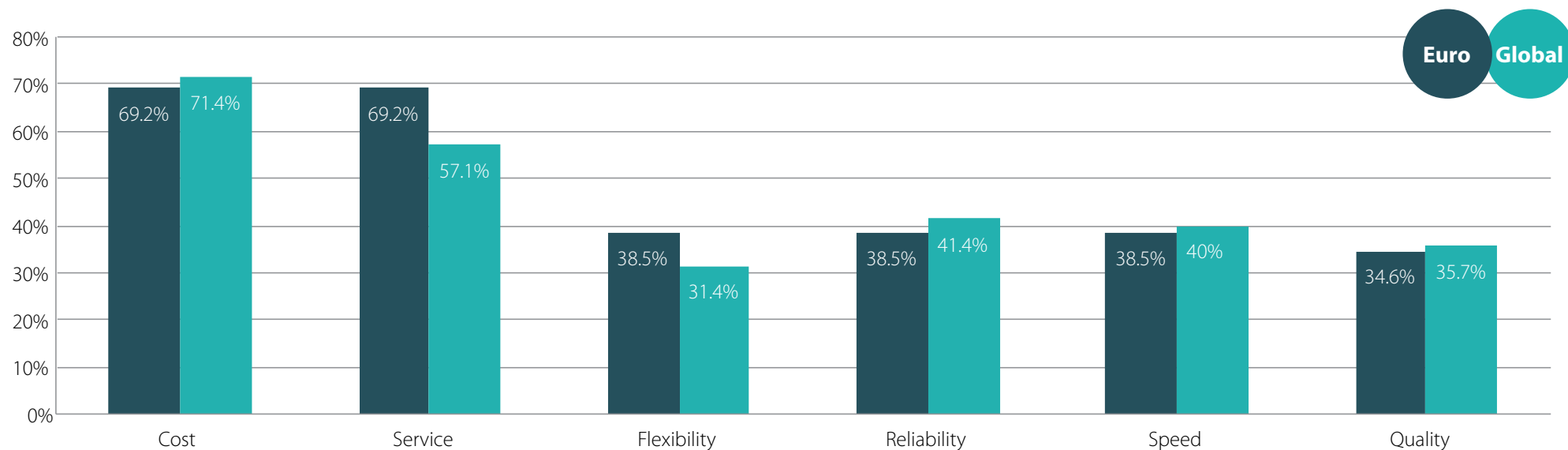
*“Our software tools, such as our warehouse management, ERP and trade compliance systems, are automated, as are our programming and integration systems. These automated systems are sophisticated models for the organization and can be leveraged across our warehouse operations. We’re applying this technology where appropriate throughout our facilities.”*



**Mike Buseman**  
Avnet

**Chief Global Logistics & Operations Officer**

## What is the primary focus(es) in the management of your supply chain?

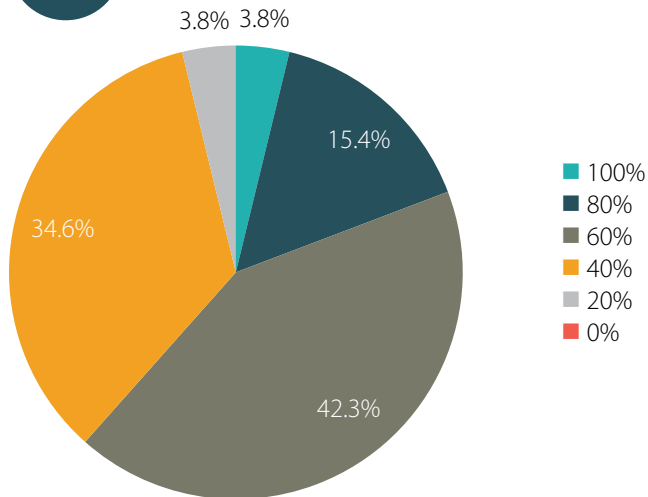


Unsurprisingly cost – while not the top driver for investment – is the top focus for the management of most supply chains. The supply chain is playing an increasingly central role within the business, but is still a cost centre that needs to be managed carefully.

### Europe focus:

Interestingly, in Europe cost wasn't the clear primary focus for the management of the supply chain. Cost shares top spot with service. However, looking deeper at the data, it looks like a huge proportion of respondents felt that each area mentioned was a key focus for them. This underlines the pressures supply chain executives face: they need to constantly achieve the impossible balance of flexibility, speed, reliability, service and cost.

Euro

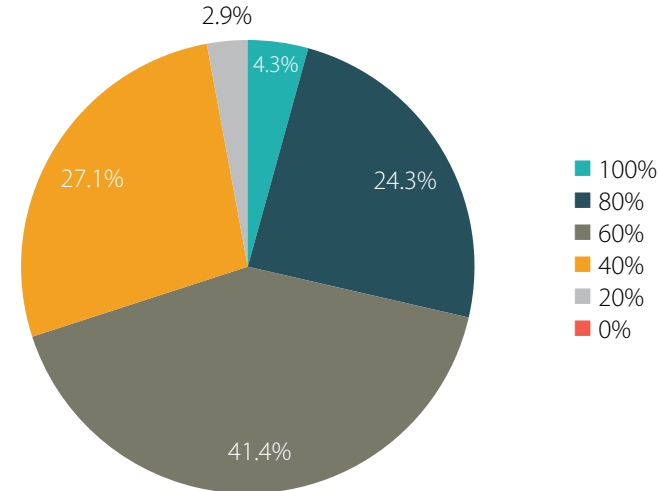


Retailers and manufacturers continue to be hampered by end to end visibility. For the 3<sup>rd</sup> year running the percentage of visibility shippers have of their supply chains is diminishing. The main driver we have identified for this trend has been the increase in complexity of supply chains and the increasing demands on what end-to-end visibility actually entails. For example, is it simply enough to have information from your supply chain or is real-time key to having true visibility?

#### Europe focus:

European manufacturers and retailers self-identified as having lower levels of visibility than the global average. While 42% reported having 60% or less visibility, 35% reported having less than 40% visibility. It is difficult to pin the reasons for this on one catalyst. One option could be that the complexity of the European market makes full visibility more difficult. Another reason could be that European supply chain executives are looking to pin 100% visibility on what is a changing scale. In other words, the level of what needs to be included in 'end-to-end' isn't static, and continues to shift.

Global



#### Amazon's Ed Feitzinger comments on the role of automation in Amazon's operations:

*"We've worked on many innovations to support automation in our supply chain. We're on our eighth generation of fulfillment center and each generation utilizes more and more technology whether that's machine learning, Amazon robotics or advanced algorithms that support customer delivery, to name a few."*

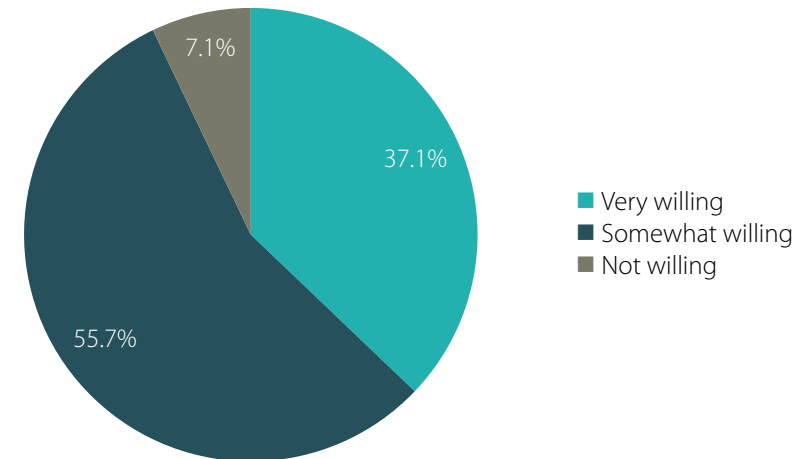
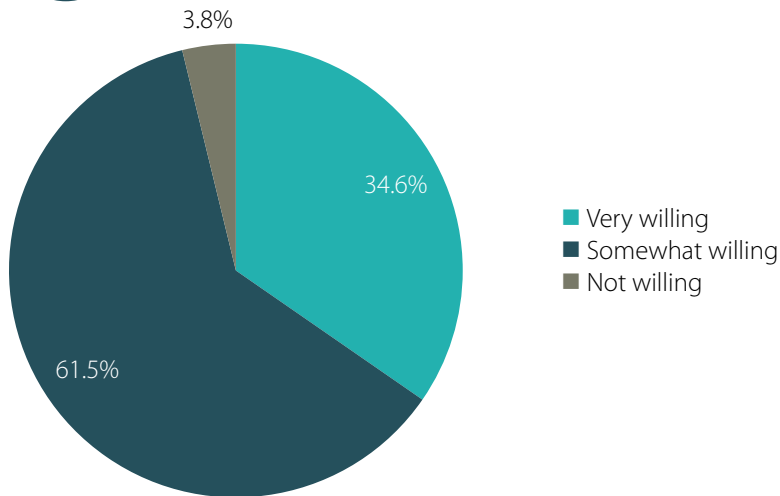
**Ed Feitzinger**  
Amazon  
Vice President, Global Logistics



Euro

## How willing are you to share data with 3PLs and other solution providers?

Global



Another aspect of visibility that is increasingly impacting supply chains is the idea of data sharing or data governance. As supply chains work to become more agile and flexible, and as speed to market increases, the demand for more information from supply partners increases. Interestingly, the willingness of supply chain executives to share their data with their logistics counterparts is diminishing. Where the majority of respondents were previously very willing to share data, in 2017 the bulk of respondents were only somewhat willing. The reason for this could be increased competitiveness of retailers and manufacturers and a desire to keep information private especially in light of high-profile data breaches. Data security is going to be an increasingly large question supply chain executives are going to face on a regular basis.

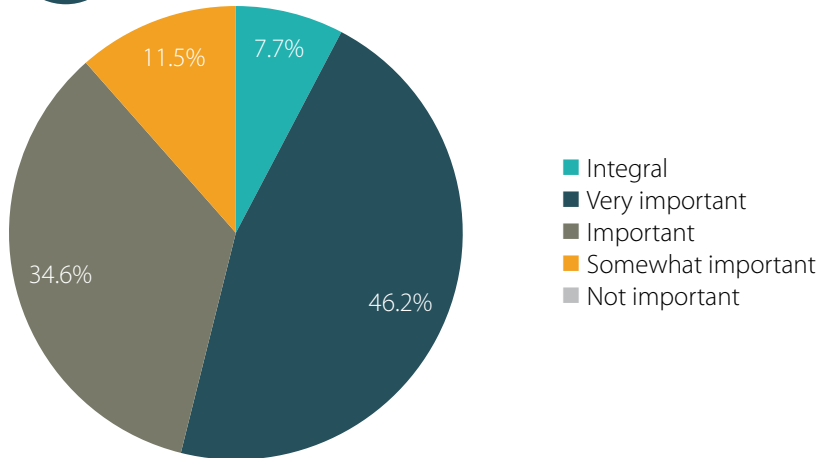
**Europe focus:**

Overall, there is more willingness for manufacturers and retailers in Europe to share data with their logistics providers. The number that are very willing is lower than the global averages, but the overall number that are at least somewhat willing is higher. This is reflective of the collaboration culture in Europe's supply chain: while there are clear benefits to collaborating, businesses under competitive strain are reluctant to share what they deem to be business-critical information.

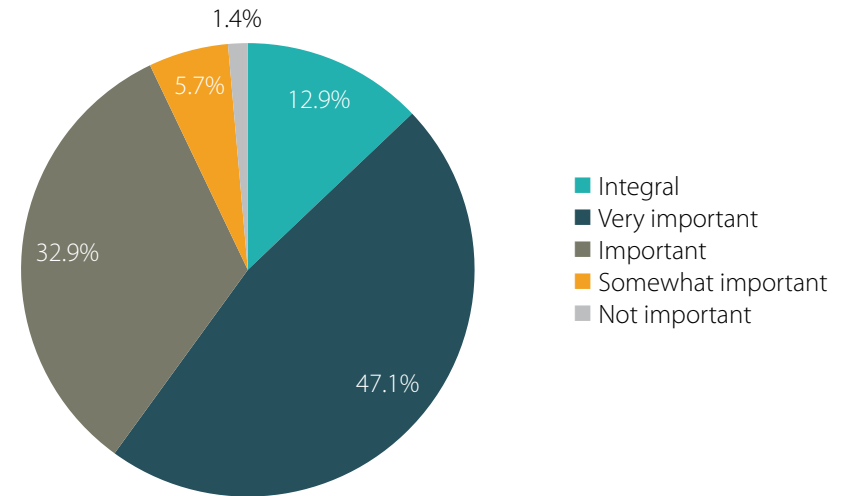


## How important is CSR for your supply chain?

Euro



Global



CSR is increasing in importance for supply chain managers. While there are many reasons for this – from increased regulation to the fact that it just makes business sense – another driver is becoming increasingly prevalent: the consumer. There have been many recent examples of companies breaching the confidence of their consumer-base to significant detriment to their bottom line. In addition, there is increasing evidence that millennial consumers are **demanding more in terms of CSR from the brands they frequent** – and aren't afraid to speak out when those demands aren't met.

### Europe focus:

In Europe, CSR lags behind global averages in terms of importance. One possible reason for this could be the fact that European law encourages much more CSR-like behavior from companies, thus minimizing the concerted need for such company-driven initiatives. That being said, consumers are increasingly making purchasing decisions based on a company's CSR record. It will be interesting to see how this trend affects European supply chains.

### Ed Feitzinger from Amazon discusses the importance of the customer in their decision-making:

*“At Amazon, what we focus on is our customers.”*

*We will continue to look for ways to delight customers in the areas we know they love – fast delivery, great prices and vast selection.”*



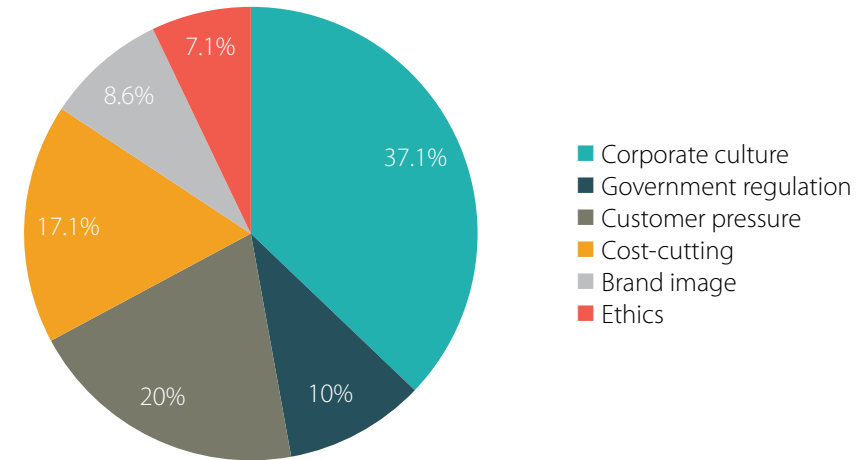
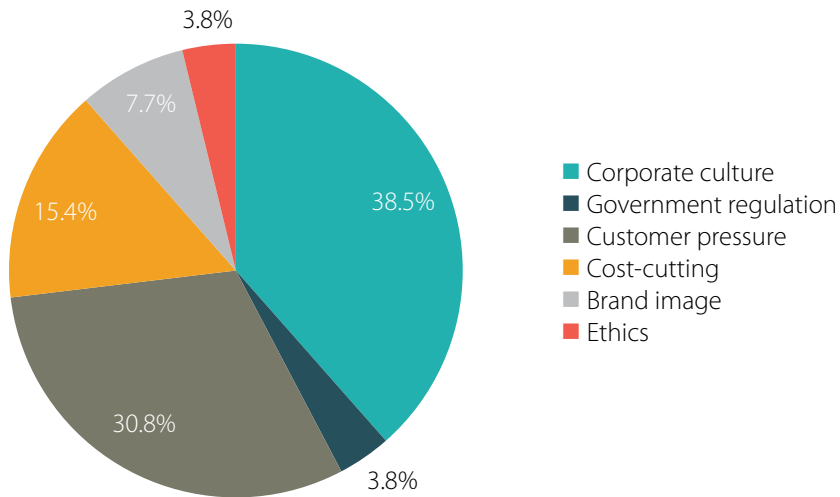
**Ed Feitzinger**  
**Amazon**

**Vice President, Global Logistics**

Euro

## What is the biggest driver for your CSR investments?

Global

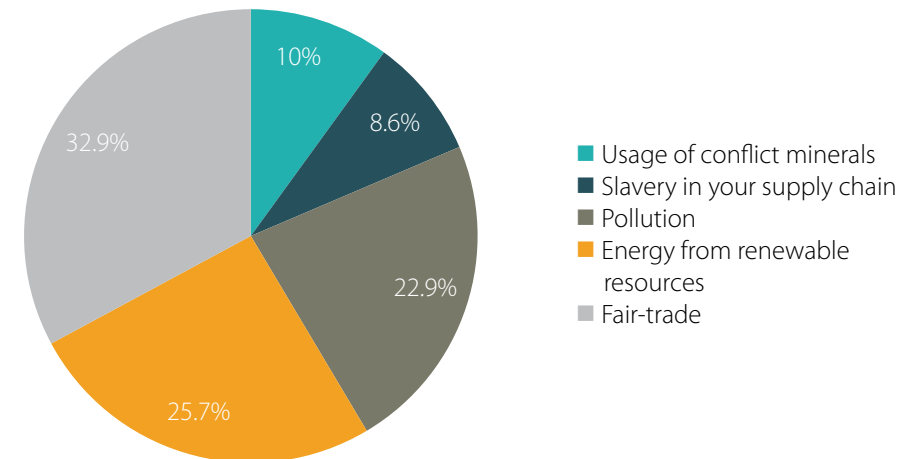
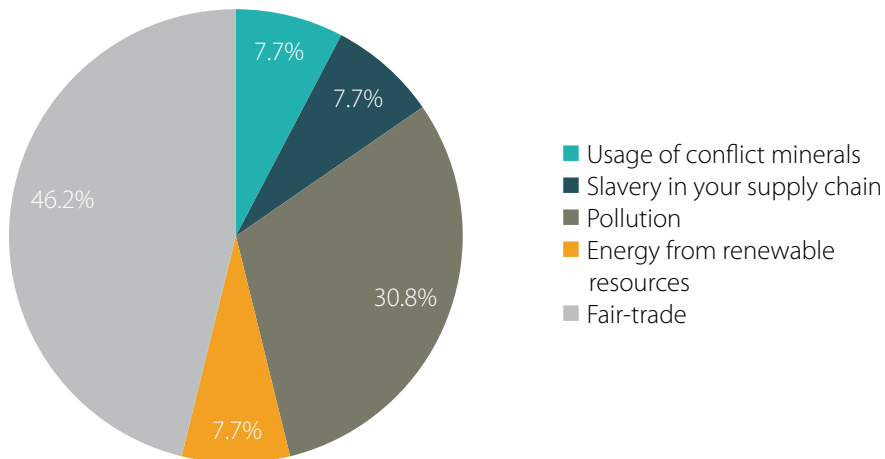
**Europe focus:**

In fact, customer pressure is the second biggest driver for CSR investment in Europe. As such, we are likely to see an increase in how important CSR is in terms of supply chains.

Euro

## What is the top CSR priority you're looking to tackle in your supply chain?

Global

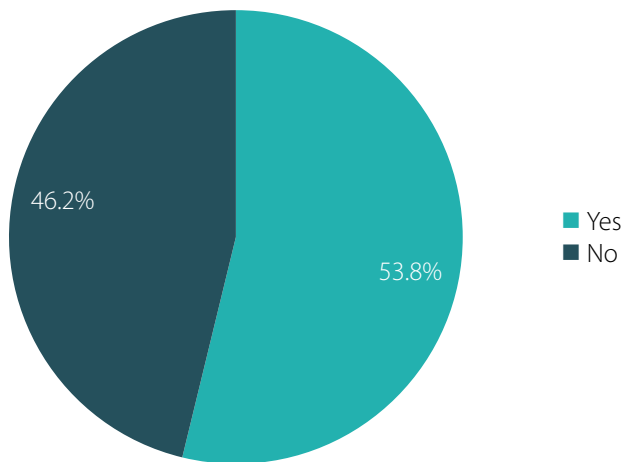
**Europe focus:**

Fair trade is the top priority in Europe followed by pollution. Again, Europe's regulatory framework will be one of the key drivers for this.

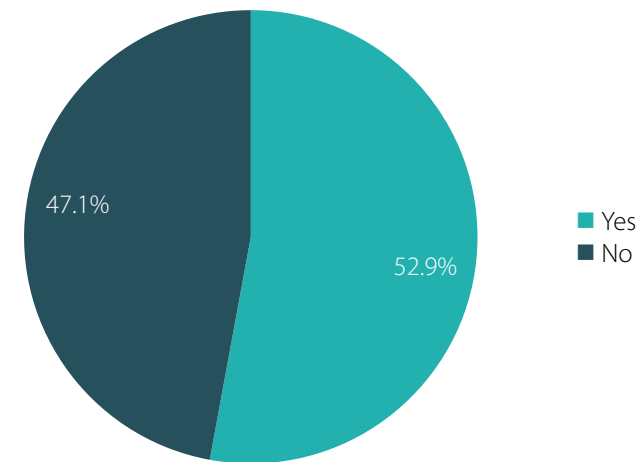
Euro

## Are you pro-actively using renewable energy in your supply chain?

Global



As mentioned previously, business sense has been another major driver for CSR recently. A great example of this is the number of supply chains actively seeking to incorporate renewable energy into their supply chains. The survey has crossed the 50:50 tipping point now with more respondents proactively using renewable energy than not. Often, one of the key drivers for this is that it makes business sense.

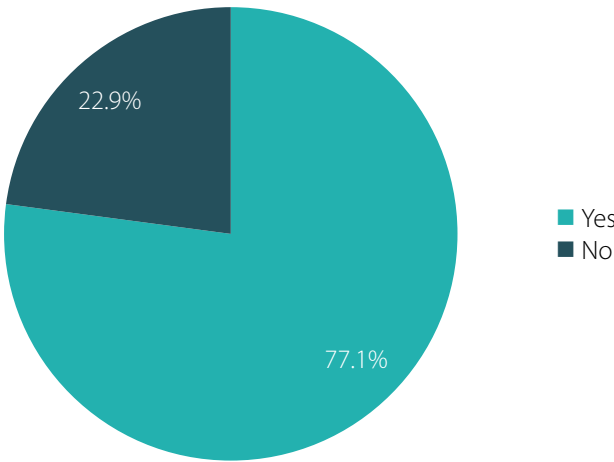
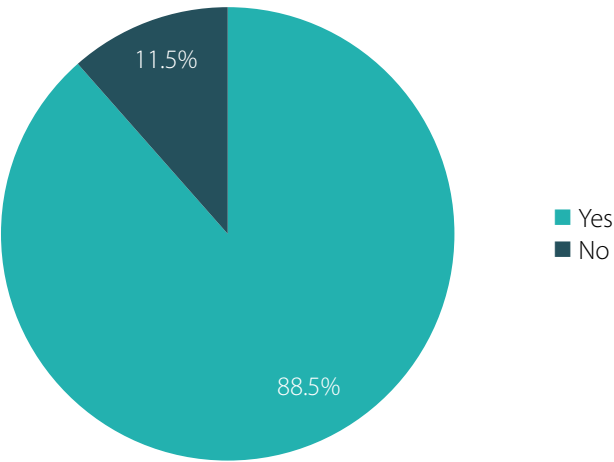
**Europe focus:**

Surprisingly Europe only just edges the global average on usage of renewable energy. Europe has an extensive history in driving renewable energy. As such, it would have been expected that most supply chains utilize this type of energy.

Euro

Are you experiencing difficulties hiring the right talent into your supply chain?

Global

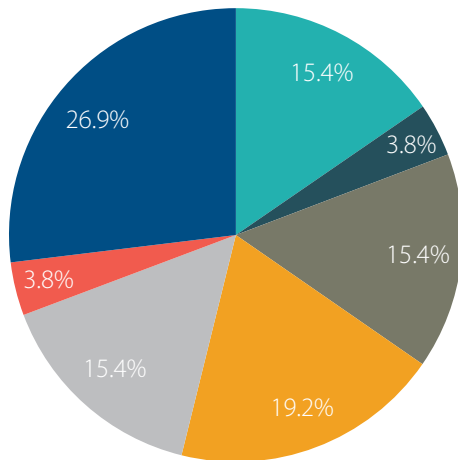


Talent continues to be one of the biggest challenges facing supply chains globally. Perhaps one of the most alarming takeaways from this year’s survey is the lack of change from 2016. A year on, supply chain executives haven’t managed any significant progress attracting the people they need into their ranks. In addition to the listed reasons, one of the other drivers getting attention is the changing requirements in supply chain. The skill-sets needed in supply chains today are very different from 10 or even 2 or 3 years ago. This is only going to increase as supply chain digitization continues and the types of talent needed become more strategic and more technical.

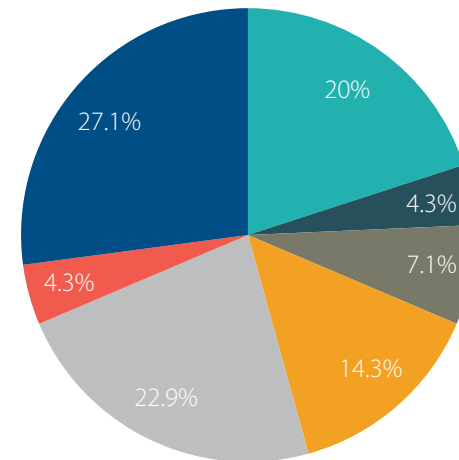
Euro

## What is the biggest barrier for entry of talent into the supply chain?

Global



- Non-competitive salaries
- Lack of supply chain courses
- It's not 'cool'
- Lack of public knowledge of supply chain
- Lack of a clear career-path within supply chain
- Lack of engagement from supply chain leaders in universities and high schools
- Supply chain playing a behind the scenes role in industries



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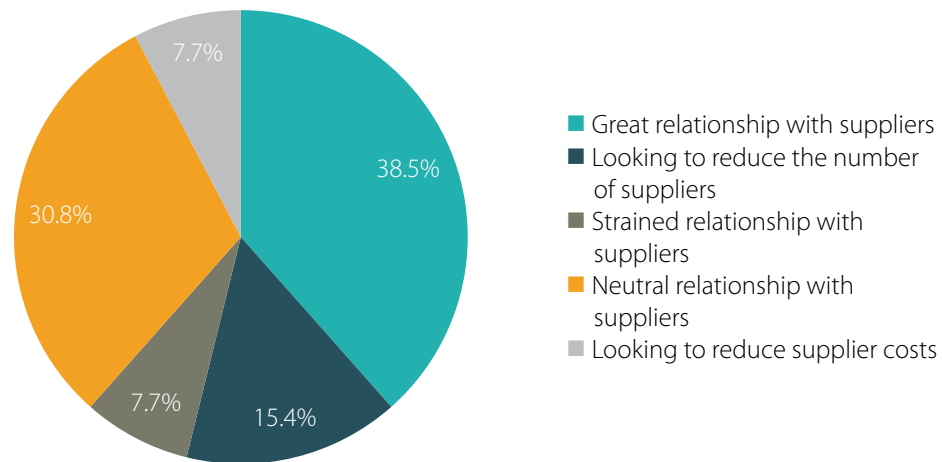
### Europe focus:

Europe is facing significant difficulties hiring the right talent for their supply chains. The biggest driver for this shortfall is the notion that supply chain is considered a behind the scenes role. That being said, supply chain is increasingly incorporating customer-centricity and consumer-centricity into its strategy. Clearly there is a disconnect occurring here: supply chain leaders aren't being proactive in pushing the industry to up and coming talent in universities, colleges or high schools or consumers aren't associating consumer-centricity with the supply chain. One area that might help drive more talent to the supply chain is start-up culture. Europe has lagged behind North America in this area, but some more high-profile developments in the area might help increase supply chain's profile.



# Suppliers

## Which phrase best describes your supplier relationships?



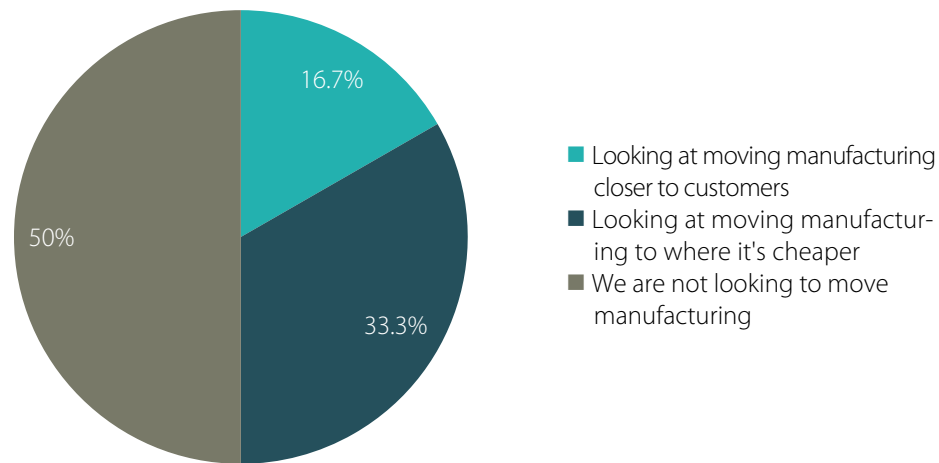
It's easy to home in on the fact that most respondents said they have great relationships with their suppliers. But, because fewer than 50% chose this answer, it means that in fact most respondents felt other answer choices were more important. For example, 33% of respondents were looking to change the nature of their supplier relationships either through the reduction in number of suppliers used or in reducing individual supplier costs. Effectively, while it is positive to see a larger percentage of supply chain executives with good relationships with their suppliers, it is surprising that the number isn't higher. One of the main reasons for this is the fact that suppliers and supply chain relationships are of such strategic importance in the age of fluctuating demand and agile operations.

### Europe focus:

The majority of European manufacturers and retailers wouldn't define their supplier relationship as 'great'. This is a significant shift from the global benchmark. Some of the drivers for this could be the nature of the manufacturers and retailers we work with: hi-tech heavy with complex supply chains with dozens if not hundreds of suppliers.

# Suppliers

## In terms of manufacturing, what you planning?



### Europe focus:

One notable statistic from the European survey was the number of manufacturers looking to move their operations. It must be noted that the sample size for this specific question halved that of total respondents, but regardless, it demonstrates that a number of major European manufacturers are considering amending their manufacturing footprint based on costs and consumers.

# Conclusion

Just as technology and eCommerce were set to turn supply chain on its head, trade policy and geopolitics have added another layer of complexity. While many of the technological and demand-driven indicators have remained steady, friction and cost indicators have seen some major fluctuations. North America now presents a major challenge for many supply chain executives because of the potential increase in friction and the number of uncertainties tied to the changes there. A high US dollar, the stalling or scrapping of TPP have also had significant impacts on global supply chains. In effect, the many changes taking place in the industry currently will have a significant impact on determining network design, sourcing decisions, market entry and overarching supply chain strategy in the years to come.

Special thanks to Ed Feitzinger, Mike Buseman, Jill Marcotte and Raanan Cohen for providing insight into their supply chains.

## Mike Buseman on the impact of geopolitics on the supply chain:

*“We live in a dynamic geopolitical environment, and we’re not sure yet how President Trump’s policies will affect the global supply chain. It is our job to be agile and forward-looking, and ensure we have capabilities in place to help our customers deliver their products when and where needed, despite any changes to the geopolitical landscape. For example, as global trade becomes more complex, customers and suppliers will increasingly rely on supply chain partners to help ensure compliance with the evolving laws and regulations in countries around the world. A team dedicated to global trade compliance, along with a robust system of management, can help ensure early detection and resolution of compliance issues to avoid risks, delays and unnecessary costs.”*



**Mike Buseman**  
**Avnet**

**Chief Global Logistics & Operations Officer**

# Want to learn more?

## Supply chain has been in the midst of major change for many years now

This change – encompassing eCommerce, technology, complexity, geopolitics and automation – will form some of the main themes of the **European CSCO Forum** this **October 16-18<sup>th</sup>**, Venlo.

Continue the conversation with some of the biggest names in the industry by registering for you pass today and get your hands on a complimentary ticket if you register before 21<sup>st</sup> August and **save €500**. To apply visit the **registration page** or contact the event organiser Danielle Horsnell directly at **dhorsnell@eft.com**.

## The key industry themes of discussion to hone your supply chain strategy for 2017:

- ▶ **Your supply chain network, re-configured:** Aligning every part of your network to meet the new demands of the customer
- ▶ **Enter a world of total automation:** Discover the latest in robotics, data and machine learning to help transform your supply chain effectiveness
- ▶ **Building a customer-centric supply chain:** Align your distribution partnerships with your customer goals for increased customer satisfaction
- ▶ **Increase your omnichannel agility:** Explore ways retailers manage their network, operational and delivery challenges to foster customer loyalty and speedy distribution

## Hear from top industry leaders:

- Patrick Dittli, Global Director Supply Chain Management, **Metro AG**
- Ann Tracy, VP Customer Service & Logistics and Sustainability Europe, **Colgate Palmolive**
- Paolo Taddeo, VP Supply Chain Design, **Coty**
- Henri-Xavier Benoist, VP Logistic and Supply Chain Management, **Bridgestone**
- Tom Rose, Head of International Operations, **Spar International**
- Edwin Van Der Meerendonk, VP European Operations, **Disney**
- Jerzy Glinkowski, Consumer Health Europe Supply Chain Lead, **GSK**
- Anita Arts, Managing Director Global Supply Chain, **Liberty Global**
- Thomas Kaufmann, Vice President Automotive Division Supply Chain & Production Management, **Infineon Technologies**
- Frank Tenbusch, VP Global Supply Chain Management, **Vodafone**
- Richard Currie, Director of Public Affairs, **UPS**