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# THE STATE OF EUROPEAN SUPPLY CHAINS 2024

## A deep dive into visibility, digitalisation, sustainability and resilience

**A survey-led report in partnership with Maersk**

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# CONTENTS

# LIST OF FIGURES

# ACKNOWLEDGEMENTS

We would like to extend our enormous gratitude to the following participants for participating in this research:

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# FOREWORD

Without a doubt, 2023 was a challenging year for businesses all around the globe for several reasons, and despite the promise of a new year bringing the usual air of optimism and belief that things will get better before too long, the reality of 2024 hasn't been without its complexities.

So now, as we move into the middle of the year, company priorities have needed to adapt in line with the ever-changing circumstances around them. We're seeing widespread calls for caution as businesses reduce costs to protect their bottom lines, but there's also the need for them to manage potential disruptions and continue their own digital transformations to keep up with the times.

The data that we've established relating to the latter has certainly sparked a great deal of interest, as we found that companies that were more resilient and digitally focused navigated 2023 with less impact on their business than those who weren't.

These companies have also given more priority to the introduction of new technologies that enhanced their ability to view and control their supply chain – which has indeed proved invaluable in times of crisis and perhaps justified such investments on a path to growth.

It's clear that there's still a long way to go before universal visibility exists across all supplier tiers, but the drawbacks of failing to adapt will be fresh in the minds of decision-makers and could be an area of renewed focus in 2024.

So where is the European market really going in 2024 and beyond?

Well, the data in this report reinforces the idea that agility, flexibility, visibility, and forecasting are worth their weight in gold in the complex and highly dynamic world of modern supply chains, so we could indeed be set for an exciting year of technological innovation that businesses worldwide can reap the benefits of.

Yet, as we know only too well, it's impossible to predict the future of business in a volatile world – which makes preparation all the more crucial.

We hope you find our research interesting and informative, and we wish you all the very best in your supply chain journey in 2024.

**Aymeric Chandavoine**
**EVP and President Europe, Maersk**

# EXECUTIVE SUMMARY

## Critical points for European supply chains in 2024

- European businesses are more positive at the opening of 2024 compared to 2023, expecting higher demand for goods and a narrower range of major disruptions.
- Supply chains were challenged by multiple disruptions in 2023 that created costs for their businesses. Sixty-one percent said disruptions affected their balance sheets more than they expected.
- Low visibility, siloed data, difficulties collaborating and limited capacity to forecast heightened the impact of disruptions.
- This has put a premium on digital supply chain transformation, which is now a top or high priority for three quarters of European supply chains, and why supply chain monitoring, tracking and visibility solutions will be the top technology investment category in 2024.
- This investment will also benefit sustainability initiatives, as a large proportion of European organisations have limited capacity to measure emissions in supply chains.
- Higher performing organisations have more collaborative cultures, better data management, more focus on digital transformation and deeper visibility into their supply chains.

## Industry sentiment, risks and disruptions

- European supply chain professionals are noticeably less pessimistic than in our 2023 survey, with a net positive sentiment of +28% expecting global growth in goods demand this year, compared to +21% last year.
- Concerns regarding major disruptive risks have also fallen almost across the board. For example, those worried about the price of energy and fuel shortages plummeted from 66% to 27%, and the percentage predicting issues arising from international conflict went from 68% to 41%.
- Geopolitical instability is by far the top disruption on the minds of supply chain professionals in 2024, rated as a potential disruptive factor by 71%.
- This concern fits within the context of rising regional tensions, continued disruptions and also highly globalised supply chains for European firms – 70% of respondents reported that their supply chains are global.
- Few supply chains avoided disruption in 2023, and many faced repeated dislocations, with just under a third reporting 10 or more disruptions.
- These were expensive for European businesses, as 61% said that the disruptions they faced were more costly than they expected last year.

## The state of visibility and partnerships in European supply chains

- Visibility rapidly drops away at higher tiers for European firms. While 99% have at least partially visibility for their own inventory and warehousing, that falls to 32% for tier two suppliers and 20% for tier three suppliers.
- High performers in the survey had better visibility over tier-two and -three suppliers and goods in transit.
- High performers are better at sharing information and collaborating with partners. While 95% of high performers said they efficiently share data internally, just 54% of the remaining survey population said the same. When sharing with external partners and suppliers, 80% of the former said they are efficient at sharing compared to 59% for the latter. The share of high performers who reported that they struggle with a collaborative culture was 25% lower.
- The top strategy for improving supply chain resilience was better data sharing and communication (52%).
- Electronic Data Interchange interfaces are by far the most popular means of sharing data with Logistics Service Providers (LSPs) amongst those who reported high visibility with these organisations.

## The state of digital transformation in European supply chains

- Digital supply chain transformation is a high priority for 48% of organisation and a top priority for 27%.
- High performers are prioritising digital transformation to an even higher degree, as a third said it was their top priority.
- Only 12% believe that their investment strategy fully meets the needs of their supply chain.
- Three quarters or more of respondents report that forecasting, analytics, supply chain visibility solutions, supply chain management software and process automation are technologies that have made their supply chains more resilient.
- The top three technologies being prioritised for investment in 2024 are supply chain monitoring, tracking and visibility solutions (68%), analytics (51%) and forecasting (47%).
- AI and machine learning has gone from a priority for 12% of the survey in 2023 to 36% in 2024. Analytics rose from 37% to 51%.
- High performers are investing more into monitoring and predicting supply chains, with 96% investing into forecasting technologies, versus 69% in the rest of survey and 83% putting money into supply chain monitoring, tracking and visibility solutions compared to 65%.
- A single source of truth across organisations' supply chains is becoming the norm as 40% said they now had this kind of set up and a further 32% reported they are in the process of instituting one.
- Seventy-five percent of high performers have, or are putting in place, a single source of truth, versus 41% of less resilient organisations.
- Warehouse management systems (73%), transportation management systems (72%) and sales and operations planning (68%) are the most common software types used to manage supply chains.
- Measuring Return on Investment (RoI) for supply chain technology deployments remains a problem, as less than half can measure RoI across most cases.
- High performers are noticeably more likely to have set budgets for supply chain technology investment.

## The state of sustainability in European supply chains

- Much like supply chain visibility, the ability to record and track greenhouse gas emissions is much lower for sources of emissions based outside the organisation.
- Half (51%) can only track Scope 1 emissions and 13% said they cannot report emissions at any level.
- However, there are signs of progress: more than half – 52% – now have emissions monitoring tools for their supply chain, and just under two-thirds (65%) think that they can monitor the Environmental, Sustainable and Governance (ESG) performance of suppliers moderately well or better.
- The European Union is widening and deepening the reporting requirements for supply chains and consumers continue to put a premium on sustainability credentials, creating incentives to enhance ESG monitoring.

# 1 INDUSTRY SENTIMENT, RISKS AND DISRUPTIONS

### Key findings

- European supply chain professionals are noticeably less pessimistic than in our 2023 survey, with a net positive sentiment of +28% expecting global growth in goods demand this year, compared to +21% last year.
- Concerns regarding major disruptive risks have also fallen almost across the board. For example, those worried about the price of energy and fuel shortages plummeted from 66% to 27%, and the percentage predicting issues arising from international conflict went from 68% to 41%.
- Geopolitical instability is by far the top disruption on the minds of supply chain professionals in 2024, rated as a potential disruptive factor by 71%.
- This concern fits within the context of rising regional tensions, continued disruptions and also highly globalised supply chains for European firms – 70% of respondents reported that their supply chains are global.
- Few supply chains avoided disruption in 2023, and many faced repeated dislocations, with just under a third reporting 10 or more disruptions.
- These were expensive for European businesses, as 61% said that the disruptions they faced were more costly than they expected last year.

Our results found that European supply chains are highly globalised. While this does confer advantages through multiple sourcing partners and leveraging cost arbitrage advantages, it also introduces vulnerabilities, and we see that prominently in our results.

In 2023 supply chain disruption and dislocation fell, but this did not stop manufacturing and logistics set-ups being disrupted and for those to be costly to the businesses they impacted.

Respondents told us that they were regularly disrupted last year even in a more subdued environment when compared to the preceding three years. The majority faced four or more jarring disruptions that cut through their supply chains ability to deliver on time, and although most were able to quickly rectify the issue, the costs incurred were typically considerable for their businesses.

Looking forward to 2024, European supply chain professionals expect expanded demand, but as the opening to the year has shown us, the movement and production of goods is highly dynamic and events can suddenly materialise, meaning that logistics and manufacturing set-ups need to continue to be a strategic priority for European firms.

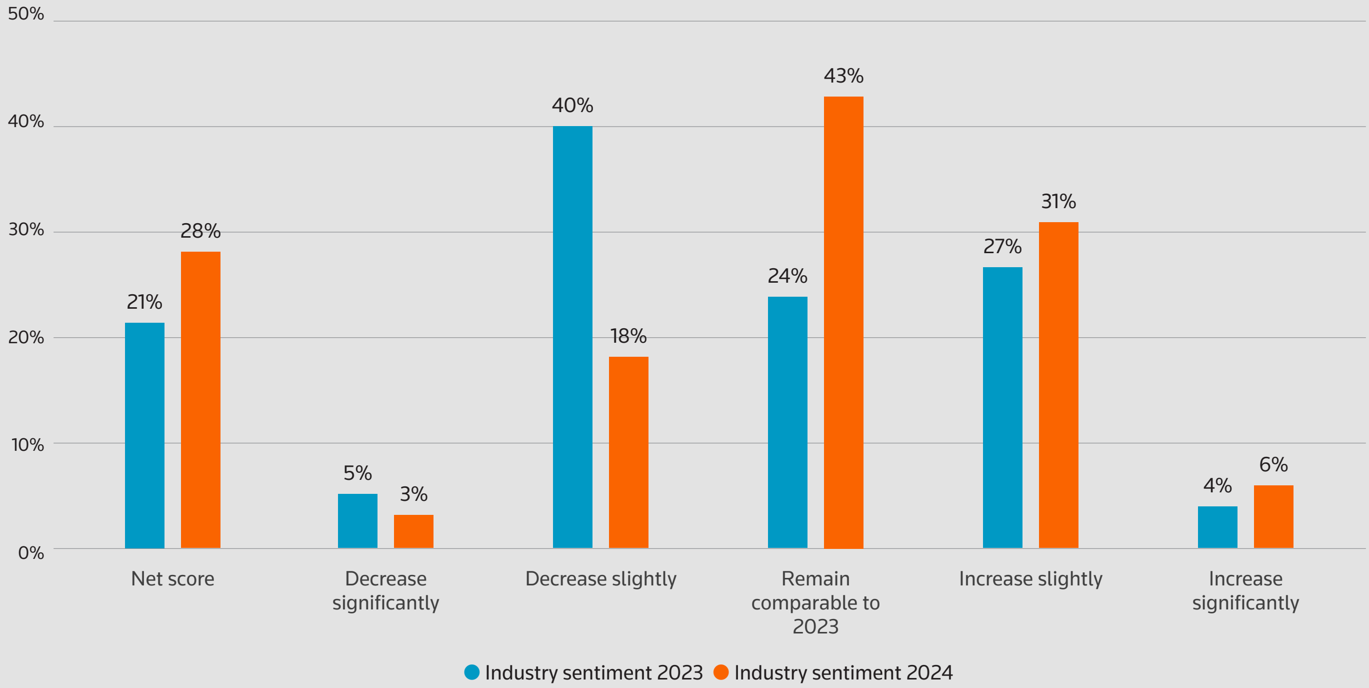
## 1.1 European supply chains more optimistic in 2024

Our results show an overall improvement in sentiment across European supply chain professionals in 2024, as respondents expected both a better demand environment and less major disruptions after years of huge and unforeseen events overturning business-as-usual for many organisations.

Compared to last year's results, we can see that there is a positive change in net sentiment across the sector.

There was a substantial drop in those expecting global demand for goods to decrease in 2024 compared to 2023, falling from 45% to 21%, and those expecting stability jumped from 24% to 43%.

### Figure 1: How do you expect global demand for goods to change in 2024?




Subtracting those predicting contraction to those expecting expansion gives us a net score indicating how the industry expects the environment to develop. This shifted from a net share of +21% forecasting growth to +28%, underlining rising confidence in the global economy.

Furthermore, as we shall see in Figure 3, the share who see a global recession as a key risk fell from 42% to 34%, underlining this shifting mood.

> *While supply disruptions across most raw and packaging materials have been reducing in frequency and impact, we continue to experience challenges in the short and medium term triggered by changing weather patterns and political instability.*
>
> *However, the focus has shifted more towards primary suppliers, which can be more easily supported with a higher degree of visibility.*
>
> *From conversations with peers, the focus is now on suppliers' own capabilities to catch up with their resource-management which will help to fully stabilise global supply chains.*
>
> ***Roman Manthey, Global Supply Chain VP, System Value Creation, The Coca-Cola Company***

This comes despite there being considerable weakness in a variety of major economies, such as China and Germany. However, there is growing evidence that Q1 2024 may be the bottom of the trough within the European context, with Italian and UK economies looking at a better 2024 than expected, and German business and consumer sentiment appearing to stabilise after falling throughout 2023.

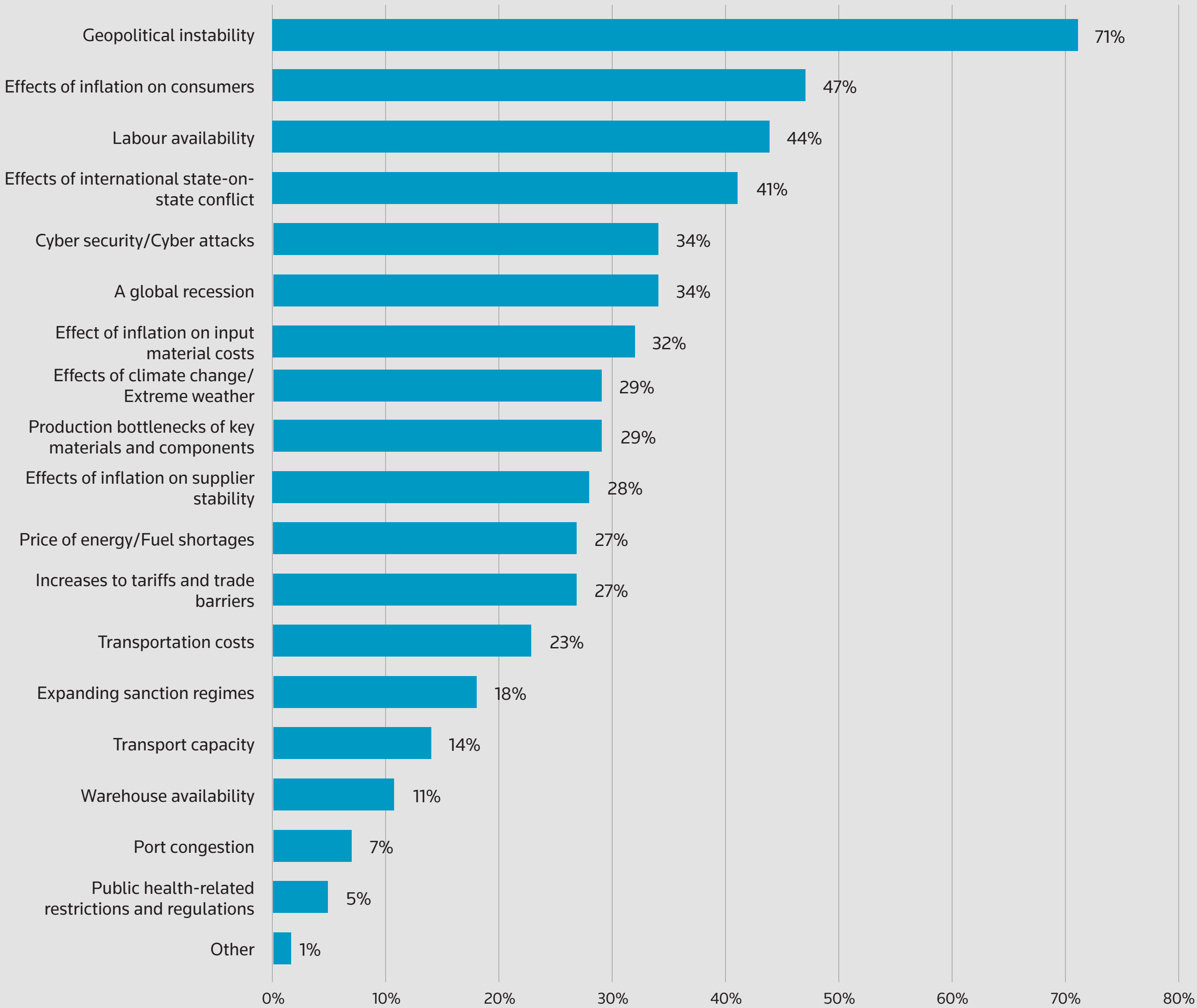
Outside Europe, the EU's number one trade partner, the US, continued to display remarkable economic strength, which also likely lies behind a large part of this optimism and factory activity globally has been gradually picking up in industry measures.

## 1.2 Vulnerabilities remain for European supply chains

Nonetheless, the opening to 2024 has reminded us of the instability within international supply chains and the potential for major disruption to appear at any given time.

At the forefront of the turbulence this year is the crisis in the Red Sea, which has altered European supply chains in a very short amount of time and seems likely to persist throughout much of 2024. Already, 55% of British exporters and 53% of manufacturers reported some degree of disruption in a Jan-Feb survey and northern Spanish

**Figure 2: What do you see as the biggest potential disruptions supply chains will face in 2024?**




> *Supply chain leaders were faced with several challenges in 2023; while overall pressure reduced, the consumer's behaviour is rapidly changing. Therefore, agility and flexibility are becoming the pillars for cost competitiveness and growth. For Fast Moving Consumer Goods (FMCGs), shelf availability is the priority, competition is fierce, and the consumer is extremely demanding, switching to the most available brand options. Resilience is therefore one of the strategic pillars of any FMCG.*
>
> ***Corina Cioranu, CPO & Global Head of Procurement Personal Care, Unilever***

ports experienced a surge in goods transiting in January, as many moved shipping routes away from Suez to loop around Africa and enter the Mediterranean via the Straits of Gibraltar.

The effects of that crisis, alongside continued armed conflict within Europe itself, is why geopolitical instability is seen as the defining risk this year, chosen by 71% of respondents, and far ahead of the next biggest potential disruption of inflation (47%), which many worry will continue to erode consumer buying power.

Additionally, the fourth highest perceived risk for 2024

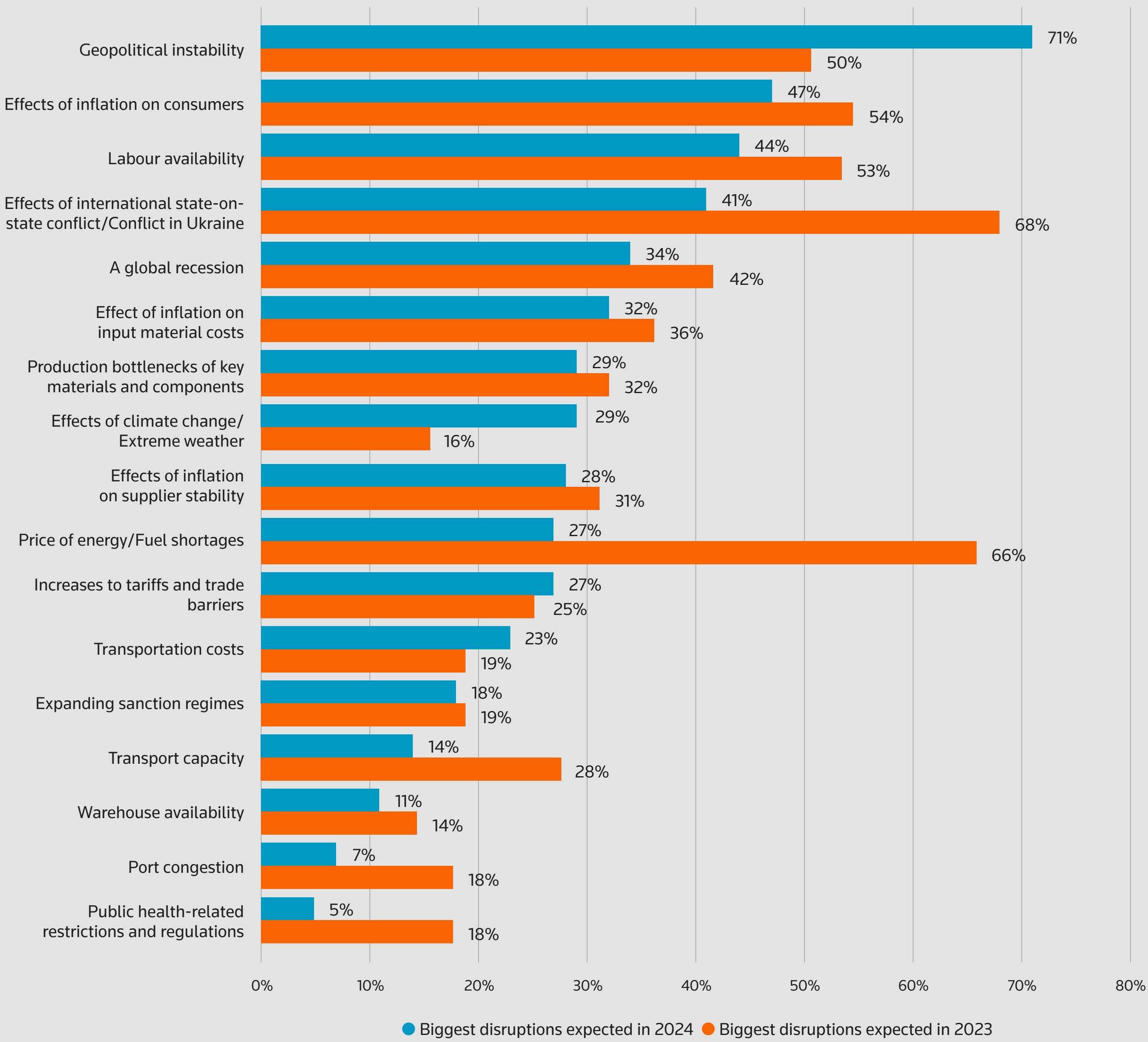
*In the past it used to be once-a-decade or once-in-five years that a big disruption like this would come along. Now, the frequency of disruption has just gone up every year ... The point here is to really look at your supply chain holistically and to really look at what are the products and where are we sourcing it from?*

***Parmeshwaran Iyer, Global Vice President: Digital Supply Chain, Beiersdorf***

is state-on-state conflict, at 41% and the situation in the Red Sea could also spill over into boosting those aforementioned inflationary effects.

Rising container hire costs, more goods transiting via expensive air freight and rising shipping insurance rates will all add into greater overall transportation costs that will mean some pass-through costs, although the extent of these remains to be seen. Passing around Africa can reportedly cost as much as $1 million in one-way fuel costs. These factors are why spot rates for shipping soared,

## Figure 3: Predicted disruptions in 2023 versus 2024



> *In 2024, the landscape of geopolitical risks shaping supply chain vulnerabilities is complex and multifaceted.*
>
> *The persistence of the Russia-Ukraine conflict, alongside the ongoing tensions between Israel and Gaza, underscore a period of heightened instability.*
>
> *In particular, Houthi attacks on commercial vessels in the Red Sea, ostensibly in response to Israel's actions in Palestine, have severely disrupted global trade.*
>
> *This disruption has led to the diversion of shipping routes along the Cape of Good Hope, resulting in significant delays and increased transportation costs.*
>
> *Elsewhere, 2024 is marked by significant electoral activity on a global scale, with more than 40 countries and regions scheduled to hold general or parliamentary elections.*
>
> *These elections are pivotal, as the countries involved represent 41% of global population and 42% of the world's GDP.*
>
> *The outcomes of these electoral processes have the potential to substantially alter geopolitical dynamics, influencing national politics on trade and investment. Such shifts could have profound implications for both immediate and long-term strategies.*
>
> ***Geanina-Lavinia Sincu, Regional Head of Lead Logistics Products & Cold Chain Management – Europe, Maersk***

doubling or tripling on some journeys, and remain elevated at the time of writing.

While the Bank of England and European Commission have warned of the crisis being a potential driver of rising prices, the rate of inflation in Europe is falling across Europe's economies and both the European Commission and households in the Eurozone expected less inflation looking towards 2024 than they did a year prior, softening the outlook for inflationary pressure.

Overall, the perception of global risks declined in the vast majority of scenarios we asked about. In only four of the 17 areas of possible disruption in the survey did respondents feel that there was a higher risk this year than last, namely:

- Geopolitical instability - 71% versus 50%.
- Effects of climate change and extreme weather - 29% versus 16%.
- Increases to tariffs and trade barriers - 27% versus 25%.
- Transportation costs - 23% versus 19%.

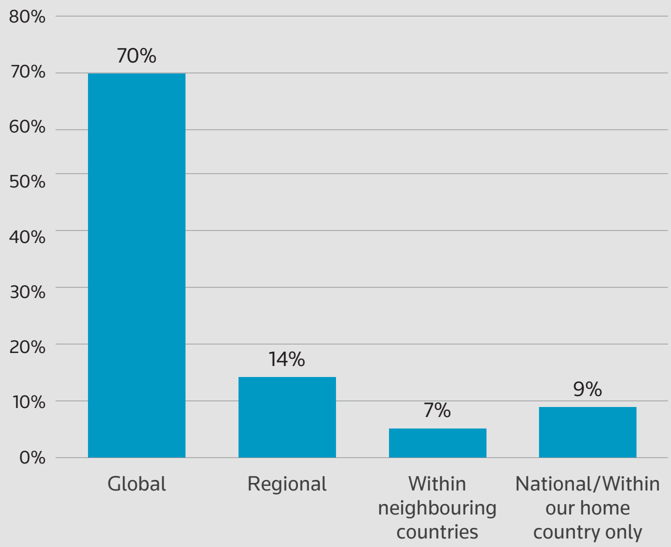
Conversely, the biggest decline was in the concern of possible fuel shortages and rising energy costs, which were pushed to the absolute front of mind for many by the conflict in Ukraine. Here, the share noting it as a major concern fell from two-thirds of respondents to 27%. While this does reflect more stability in the energy picture, this risk may have been discounted slightly too far, as distillate inventories in Europe were 20 million barrels (-5% or -0.80 standard deviations) below the prior 10-year average at the end of December 2023, while many tankers are taking longer routes and refinery output is fragile, leaving lingering risk.

Looking at the complete set of results though, the picture is of more concern around some of the big picture issues in 2024, like trade, geopolitics, cyber security and climate, while there is less fear of sudden shocks critically undermining supply chains.

That focus on trade and the potential for geopolitics to rudely intercede in supply chains is not only a reflection of a growing international trade rift and movement away from completely unrestricted globalisation generally, but a recognition of just how internationalised European supply chains are, and the risks this can introduce.

We found that across our survey population, less than one-in-10 reported that their organisation's supply chain could be best described as operating at a national level only, and

**Figure 4: European supply chains are highly globalised**



> *The geopolitical issues that will define supply chain risk in 2024 include: the escalation of tensions between China and Taiwan, leading to supply chain disruptions (particularly the supply of global semiconductors), with potential production stoppages or ability to do business in China (as a result of sanctions); the Red Sea Crisis that could potentially affect supply chain continuity of goods travelling to and from Asia; and the Argentinian economic crisis, with high inflation rates and declines in volumes.*
>
> ***Francesco Donato, Chief Procurement Officer, Iveco Group***

91% reported transnational supply chain links, with 70% telling us that they source at a global level.

This goes a long way to explaining the concern around the wider geopolitical environment, a concern that is well-founded as we can see by what is going on in the Red Sea, but also comes from the immense difficulties in rapidly shifting sourcing and manufacturing, even if the patterns are slowly being changed by the forces of conflict and politics.

## 1.3 Disruptions continued at pace in 2023

Even though measures of supply chain volatility broadly fell throughout 2023, there was still plenty of costly disruption for European organisations.

Our results found that the majority of respondents faced numerous substantial incidents that impaired their operations and raised their cost of doing business.

Looking first at the number of incidents, nearly a third reported that they faced 10 or more serious incidents that significantly delayed their capacity to meet demand, and 19% said that they faced 20 or more such serious disruptive moments last year.

While this demonstrates that there was still a considerable number of problematic events that companies needed to face in 2023, the median number of incidents faced was a more modest four, also showing that the level of shocks to supply chains was less severe than the exceptional years of 2020 to 2022.

Overall, most respondents said that they were able to rapidly tackle these incidents and find alternative supplies or transportation routes, but that this came at a cost.

> *For the truck business, 2023 has been a record year in terms of demand and production, but supply chains have been failing to assure proper capacity and to recover from the post-COVID crisis.*
>
> *In addition, high pressure on costs and margins have deteriorated relationships.*
>
> ***Francesco Donato, Chief Procurement Officer, Iveco Group***

**Figure 5: How many times have supply chain disruptions caused significant delays to your organisation's ability to deliver goods to customers in the last 12 months?**

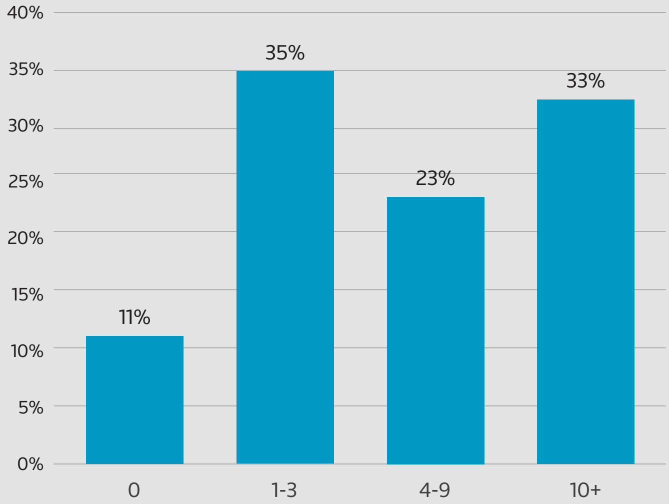



**Figure 6: Was your organisation able to rapidly tackle these disruptions?**

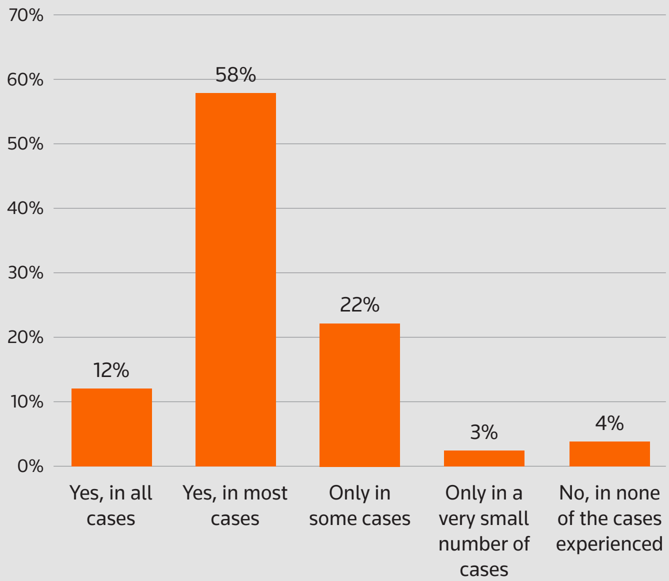
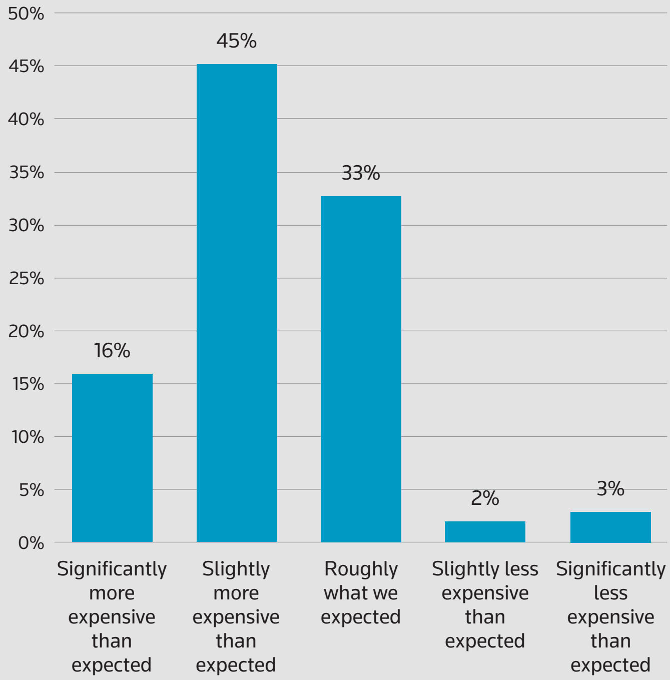


**Figure 7: How costly have disruptions to your organisation's supply chain operation been over the last 12 months?**




Seven-in-10 respondents said that they typically were able to rapidly resolve these major disruptions in a timely fashion, but typically these resolutions were more expensive than had been their expectation.

Just 5% of our survey population said that they had achieved strong cost controls throughout these incidents and that the overall costs came in under their expectations. Conversely, 61% said that the friction and delays introduced by these events meant they incurred more costs that they initially expected and 16% found them much higher.

These results show that European supply chains still have plenty to do when it comes to being more resilient and responsive in the face of shocks, particularly when it comes to how much these incidents impact the bottom line and impact overall margins. Companies cannot slide back into the pre-pandemic norms. The continued presence of expensive incidents in 2023 and the dramatic opening of 2024 for the shipping industry underlines that the supply chain function needs investment and to be viewed as a potential competitive advantage and not a cost centre for firms.

# 2

# THE STATE OF VISIBILITY AND PARTNERSHIPS IN EUROPEAN SUPPLY CHAINS

## Key findings

- Visibility rapidly drops away at higher tiers for European firms. While 99% have at least partially visibility for their own inventory and warehousing, that falls to 32% for tier two suppliers and 20% for tier three suppliers.
- High performers in the survey had better visibility over tier-two and -three suppliers and goods in transit.
- High performers are better at sharing information and collaborating with partners. While 95% of high performers said they efficiently share data internally, just 54% of the remaining survey population said the same. When sharing with external partners and suppliers, 80% of the former said they are efficient at sharing compared to 59% for the latter. The share of high performers who reported that they struggle with a collaborative culture was 25% lower.
- The top strategy for improving supply chain resilience was better data sharing and communication (52%).
- Electronic Data Interchange interfaces are by far the most popular means of sharing data with Logistics Service Providers (LSPs) amongst those who reported high visibility with these organisations.

A smooth supply chain runs on strong partnerships and deep visibility. These two pillars of effectiveness allow planning, coordination and demand matching to occur and, consequently, are vital capabilities for any organisation to wield.

However, achieving deep visibility into supply chains is highly challenging, as our results clearly show. Visibility steadily drops away the further from the centre one goes, falling precipitously in supplier tiers two and three, and external data sharing is noticeably more challenging than within the organisation.

There is clear recognition of these deficits, however, as information exchange is the top area where supply chain professionals feel that they can bring more resilience into their operations, and respondents recognised that siloed, non-standardised data are their biggest barrier to enhancing visibility.

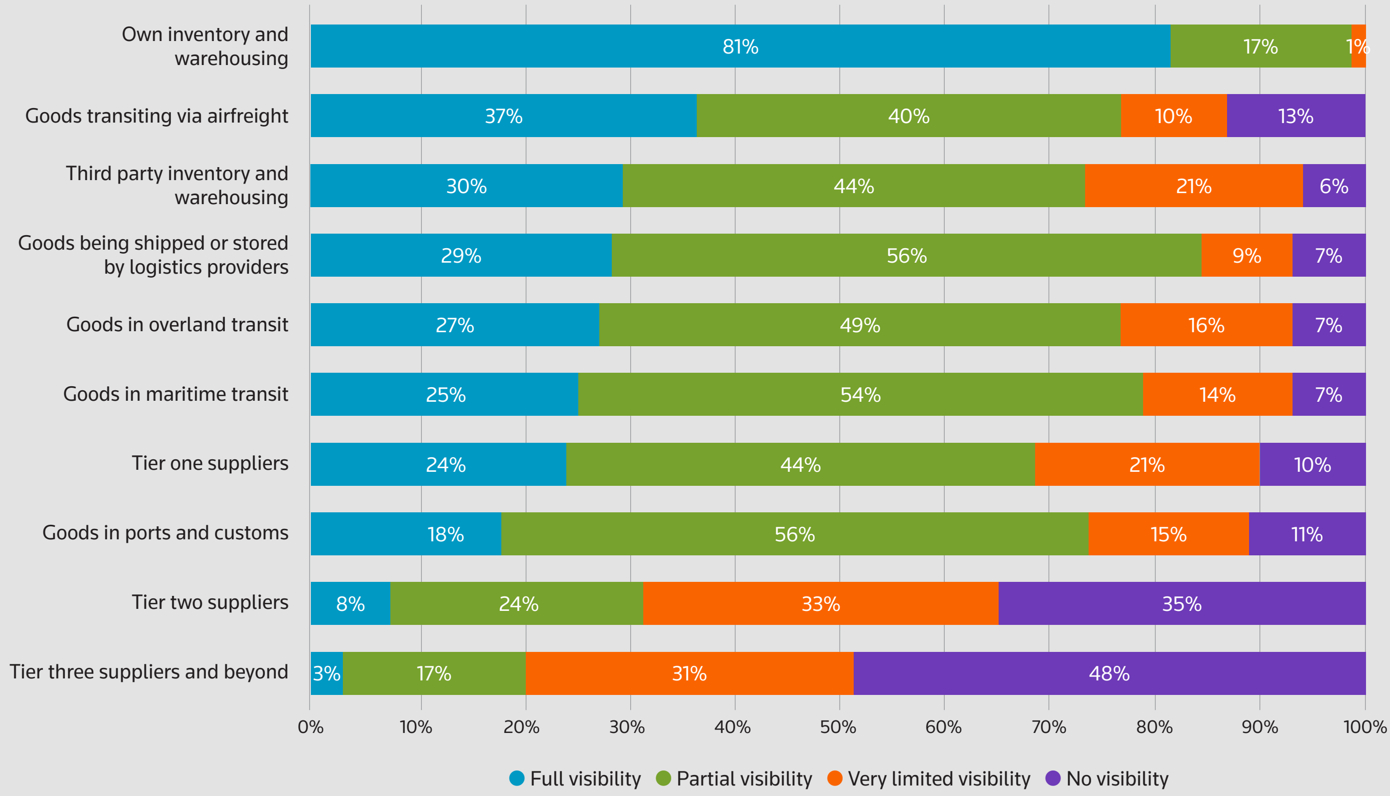
Implementing deeper visibility and the mechanisms to share information yields very clear rewards in our survey. More resilient organisations had deeper visibility at critical junctures in their supply chains and reported better data sharing capabilities across the board, allowing them to be more flexible and secure required capacity quickly in a time of crisis.

### 2.1 Where are the gaps in European supply chain visibility?

Deep visibility into supply chains continues to be a challenge for European organisations. Our research shows that while the majority have at least some visibility over their logistics networks and tier one suppliers, and have a reasonable degree of real-time visibility into their supply chains, clarity rapidly tapers the further away from the end customer one gets, and falls dramatically for tier two and three suppliers.

While 99% of European supply chain professionals said that they had partial or full visibility for their own inventory and warehousing and 84% for goods being shipped or stored by partners, there is a precipitous drop for tier two and three suppliers. Just 32% said they had this level of

**Figure 8: How would you rate your organisation's visibility over the following supply chain components?**




visibility for their tier two suppliers and 20% for tier three, with a mere 3% reporting full visibility in this tier.

Similarly, full visibility reduces the further away a good sits from its end destination, with 27% reporting full visibility over items being transported overland and 25% for goods at sea.

However, the partner and its data sharing capabilities also matter in this regard. For example, aircraft have strong tracking mechanisms via constantly emitting transponder information, leading air cargo to be one the most visible elements in the supply chain, while the often highly manual, physical-document-oriented area of ports and customs sees just 18% reporting full visibility.

*When it comes to visibility across the supply chain from customer demand to the production plan, we have a fairly good level of visibility and we have standardised systems that enable us to have real time information … but we can still improve in terms of the demand signals, weather data and in consumer demand data. We do have all this information flowing into our data lake, but we still have some way to go in that aspect.*

***Parmeshwaran Iyer, Global Vice President: Digital Supply Chain, Beiersdorf***

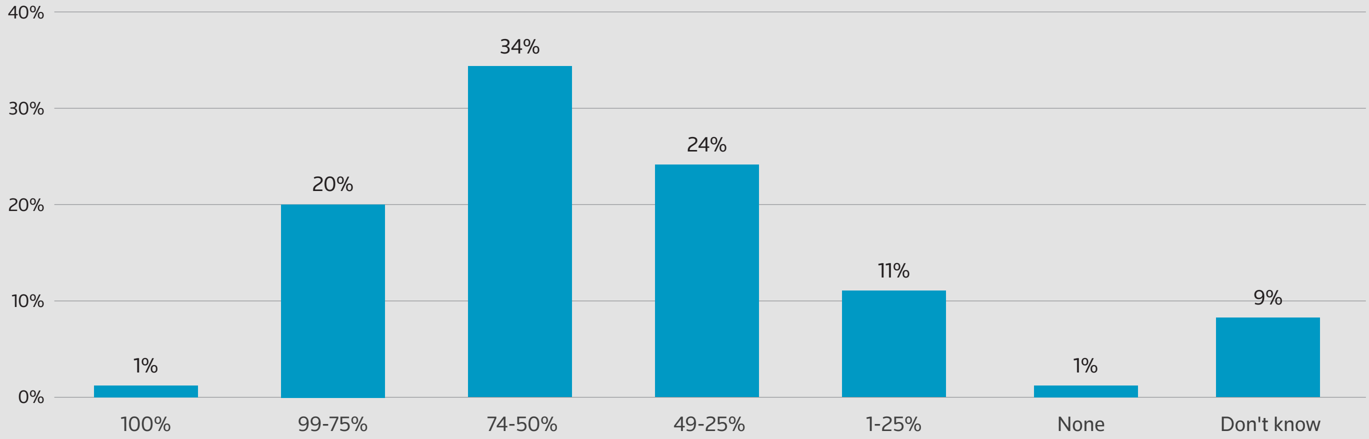
When we asked about the level of real time visibility it too showed that most European organisations have broad coverage, but with some substantial areas of weakness.

Fifty-five percent of respondents told us that they have real time visibility on at least half of their supply chain operations, but 24% said they could only track 25-49% and 12% said that under a quarter of their supply chain could be viewed in real time.

Given the importance of current information to supply chain decision making and that resilient firms are marked out by their ability to rapidly redraw fulfilment plans and pivot at times of stress, this should be an area for continued improvement.

Overall, respondents find data sharing internally and with their immediate partners far easier than with partners that

**Figure 9: Over what percentage of your organisation's supply chain do you have real-time visibility?**



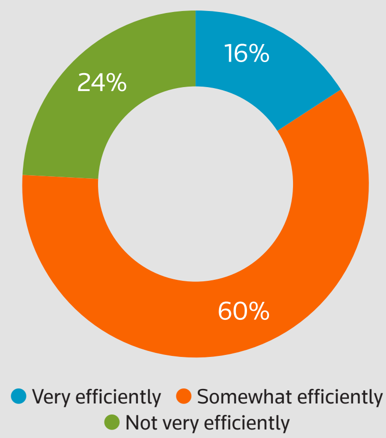

*For 2024, the biggest focus is on data quality that will enhance the ability to act.*

*For the past few years, supply chain leaders have been investing in supply chain visibility and in many cases, they found out that the quality of the visibility they get is mostly based on the quality of the data they have and the data that they receive from their partners.*

*We expect that in times of rising costs and disruptions, supply chain leaders will focus their teams on making sure they are actually getting the data quality needed to increase the reliability of their visibility, but visibility is not enough, so they will also be looking into how to close the gap-to-action to ensure disruptions are mitigated and, ideally, give them an advantage in the market.*

***Geanina-Lavinia Sincu, Regional Head of Lead Logistics Products & Cold Chain Management – Europe, Maersk***

**Figure 10: How efficiently can you share supply chain data and decision making internally?**




***High performers are resilient organisations that reported that they tackled disruptions rapidly AND that those disruptions did not cost them more than they anticipated.***

have low technology bases or are multiple steps removed from the final destination, further evidence of which can be seen in Figure 13.

Even so, just under a quarter of respondents (24%) report that they are inefficient at sharing data internally, while only 16% said that they were highly efficient.

These results show that a large proportion of companies also need to look inwards to their own corporate cultures and technology bases if they are to make rapid strides in improving visibility and coordination.

## 2.2 What high performers do differently: visibility

As part of our survey, we identified more resilient supply chains to try and see what they might be doing differently and draw lessons from their experience.

We separated out organisations that said that they had been able to rapidly tackle the majority of disruptions faced and that reported that those disruptions were less costly than expected or as costly as they expected. We compared them with firms that said they failed to rapidly tackle disruptions and experienced higher costs than

> *The name of the game is visibility, traceability and predictivity.*
>
> *When unexpected events occurs and plans need to deviate, these capabilities will allow companies to use technological solutions to slow down, speed up, or shift direction.*
>
> ***Geanina-Lavinia Sincu, Regional Head of Lead Logistics Products & Cold Chain Management – Europe, Maersk***

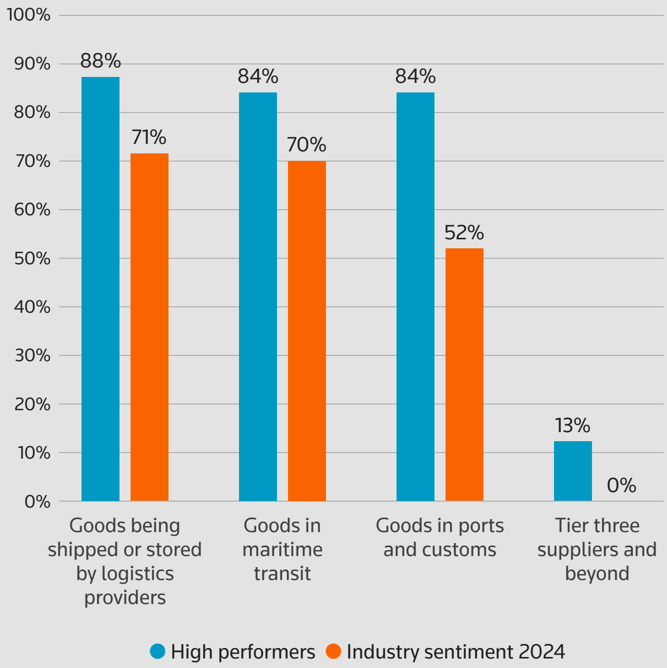
expected. We have termed the former 'high performers' for this analysis, and their results paint a clear picture of firms focused on visibility, communication, coordination and digital transformation.

We will analyse their differing performance throughout this research where relevant.

Beginning first with visibility, we found that high performers had generally higher visibility across most segments of the supply chain, but this was particularly pronounced when it came to time-sensitive points of potential disruption.

> *When we talk about frontline enablement, it is all about listening to people, understanding what they need to do their job well, bringing those requirements into a digital format, and then diligently acting upon it. That's where we have seen the big successes in any kind of digital transformation.*
>
> ***Roman Manthey, Global Supply Chain VP, System Value Creation, The Coca-Cola Company***

**Figure 11: High performers have deeper visibility, especially for goods in transit**

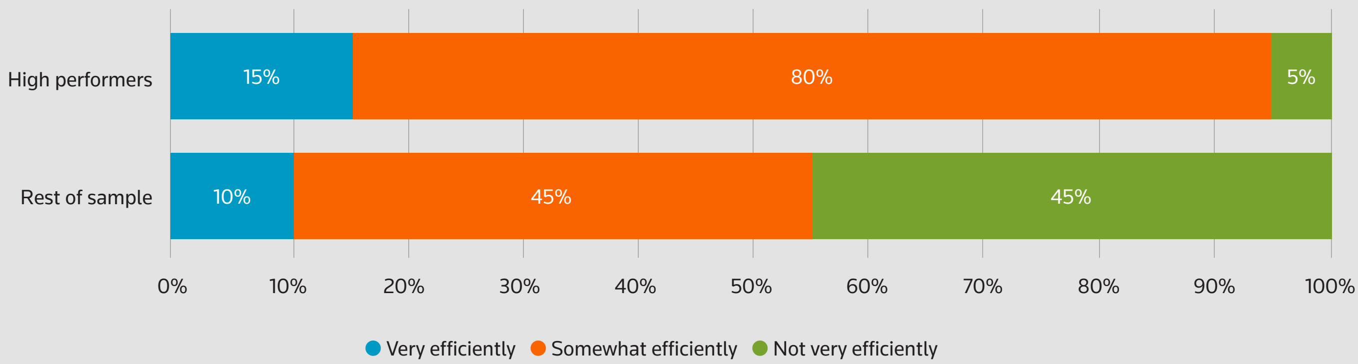



We found that more resilient firms were noticeably more likely to have partial or full visibility over goods being shipped or stored by partners (88% versus 71%), in maritime transit (84% versus 70%) and in ports and customs (84% versus 52%).

Additionally, we found that while the share reporting at least some visibility over air freight was similar between the two groups, 50% of high performers said that they had full visibility over goods in air freight, compared to 29% for the rest of the survey.

High performers were also noticeably better at sharing data internally with 95% reporting that they efficient at passing

**Figure 12: High performers better at sharing information internally**



information around their organisation, which contrasts strongly with the 45% of the lower performing group who said they were inefficient.

## 2.3 Difficulties in data sharing between partners reduces visibility

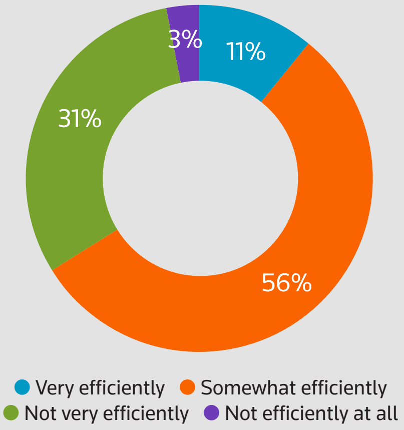
The reasons that lie behind the aforementioned declines in visibility derive from inefficiencies in accessing and sharing information between different organisations and their various partners.

We found that organisations reported that they were noticeably less efficient sharing data with partners and suppliers than internally.

The share that believes they are very or somewhat efficient at communicating with the third parties drops 10-percentage points compared to internally, sitting at 66%, while some of the sample – 3% – report that they are not efficient at all.

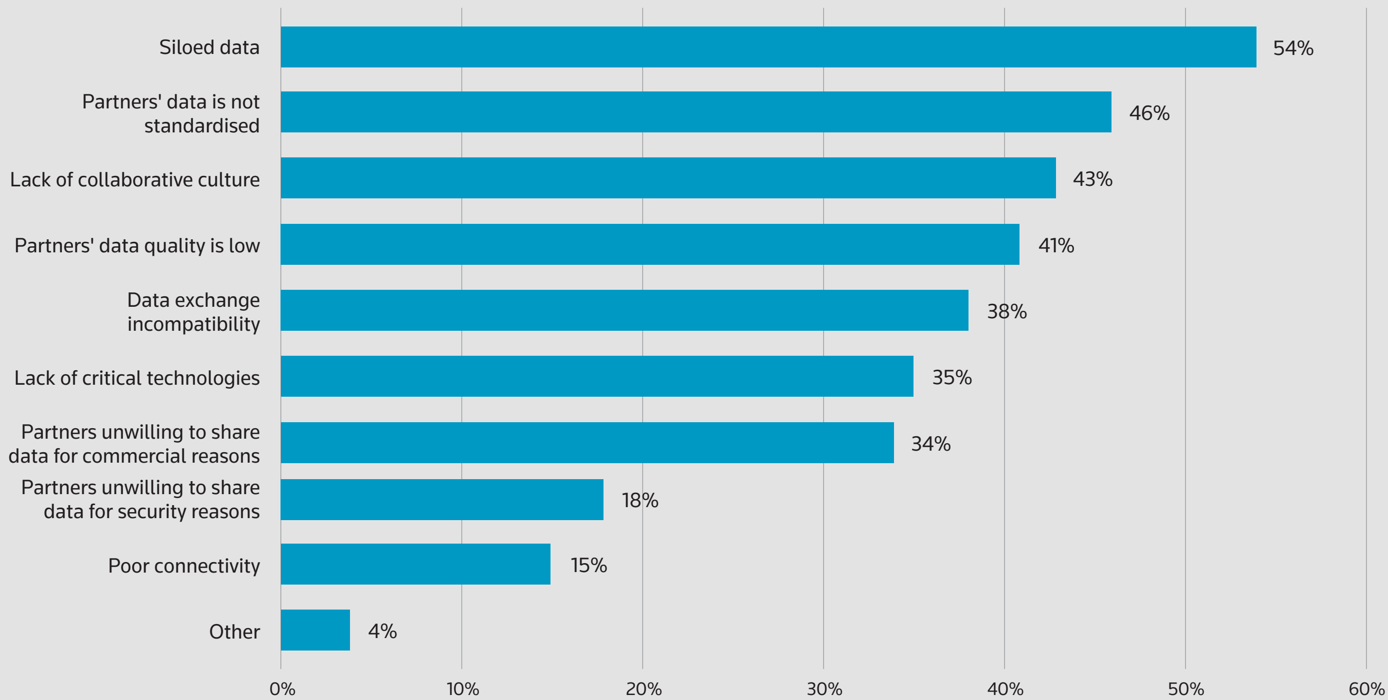
The decline in efficiency comes from the frictions that arise from trying to coordinate and communicate over diverse networks of partners, where they can be a host of communication formats, limited technological capabilities and a lack of standardisation in documentation. Many firms continue to run on emails and Excel spreadsheets, with all the issues that then accrues.

**Figure 13: How efficiently can you share data from your organisation to supply chain partners and suppliers?**




The continued prevalence of these processes in supply chains can be clearly seen in the major barriers European organisations face when trying to get more visibility from their partners, which heavily centre around data issues. The most frequently encountered barrier is siloed data (54%), followed by receiving unstructured data from their partners (46%), with poor data quality (41%) and incompatibility between organisation and partner systems (38%) also noted as substantial barriers.

**Figure 14: What are the barriers in getting greater visibility from your supply chain partners?**



Data sharing externally is also complicated by issues around security and accessibility, with many reluctant to share anything beyond the bare minimum for fear of revealing proprietary data (34%).

> *We are doubling down on our investment and our planning transformation, so not only forecasting, but also end-to-end planning. That's the journey in the next couple of years and, in parallel, we are also ramping up our data and analytics capabilities … because once you get the data connected from the different sources based on consumer, market-specific or supply chain-specific insights that's when you deliver magic. So, our focus is going to be on planning transformation, data and analytics.*
>
> ***Parmeshwaran Iyer, Global Vice President: Digital Supply Chain, Beiersdorf***

Interestingly in a sector that is faced with rising levels of cyber attacks and, as seen in Figure 2, puts cyber within its top five potential risks for 2024, partners not sharing data for security reasons was a comparatively low issue for respondents (18%).

## 2.4 A better planning process drives resilience

Respondents showed in the survey results that they understand that visibility and coordination gaps exist and that they need to be addressed urgently.

When we asked what would improve resilience the most, the top two answers were enhancing data sharing (52%) and speeding up the planning process (46%).

That recognition is a clear response to the limits in visibility that exist today, the drop-off that occurs with distant suppliers, and the costs that creates for businesses, especially at times of disruption.

**Figure 15: Which of the following do you think will improve your organisation's supply chain resilience most?**

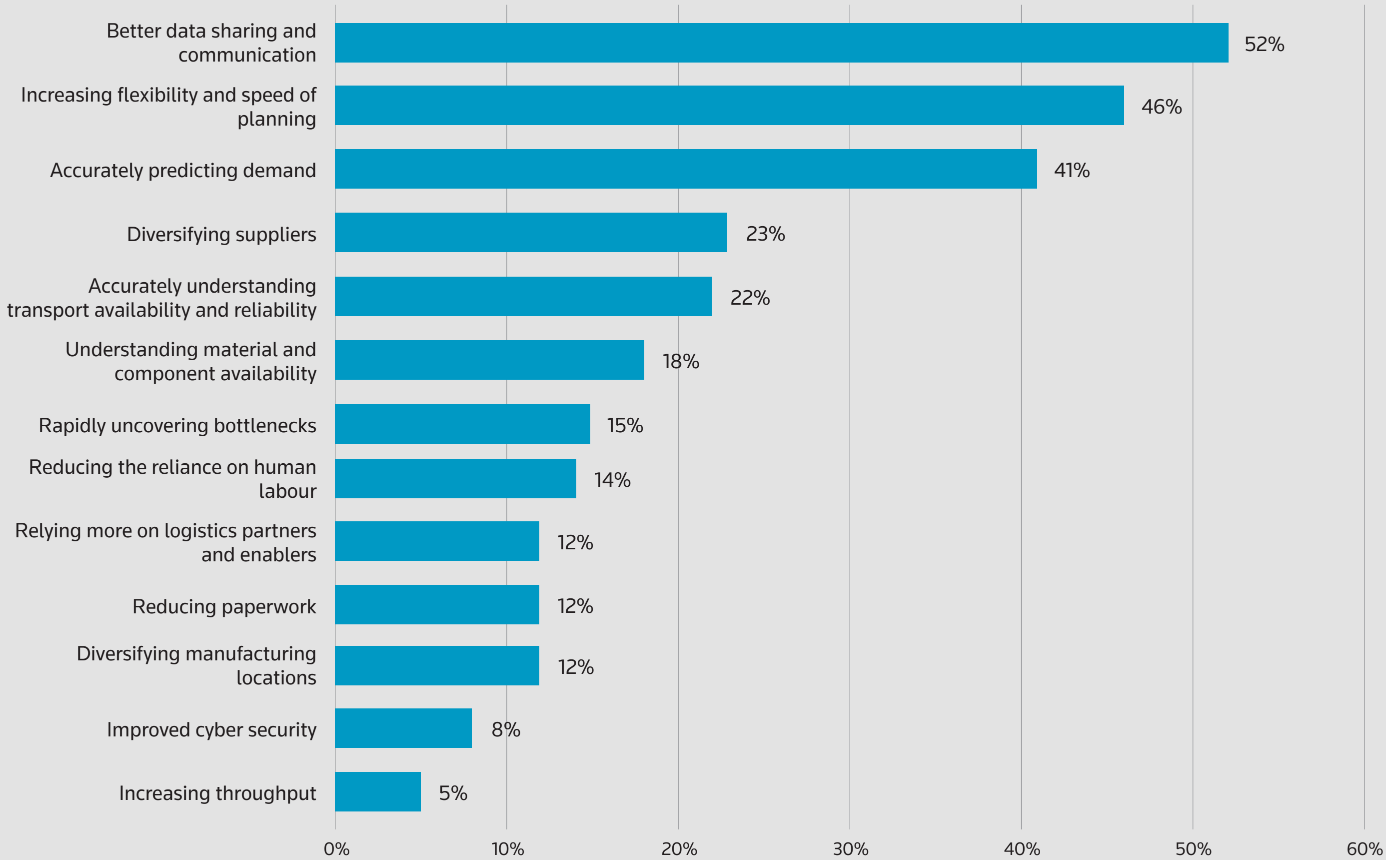
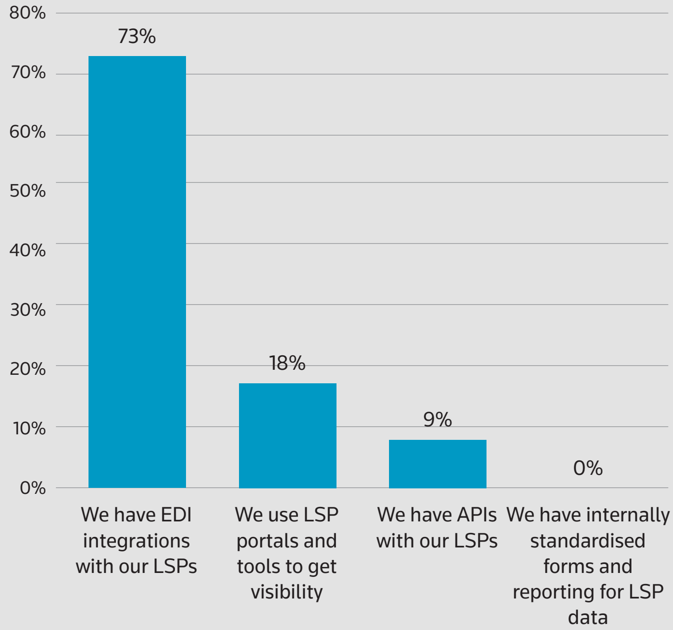


**Figure 16: Which of the following best describes your data sharing strategy with your Logistics Service Providers (LSPs)?**




*Successful companies have a strategy and consistently act on it to effectively ensure the quality of their data and to share information securely with the right stakeholders on the right channels.*

*For example, they are quick to understand how to integrate with each type of partner, what type of technology to use to integrate, from open APIs to customised EDIs, and then allocate driven and collaborative people to make integrations happen.*

***Geanina-Lavinia Sincu, Regional Head of Lead Logistics Products & Cold Chain Management – Europe, Maersk***

Likewise, the next most impactful improvements also support that supply chain professionals understand where these gaps exist and what would be impactful in reducing their impact. Following on from the top two choices were accurately predicting demand (41%), diversifying suppliers (23%) and understanding logistics capacity (22%).

Given the criticality of information sharing and how important it is for resiliency, we asked those that said they had full visibility with third party partners what mechanism they used to share data with them. There was a clear response as to what is deployed and working effectively today: Electronic Data Interchanges (EDIs). Three quarters of those who have deep visibility with their Logistics Service Providers (LPSs) primarily use this mechanism, compared to just 18% for the next most popular choice, which is LSP portals and tools.

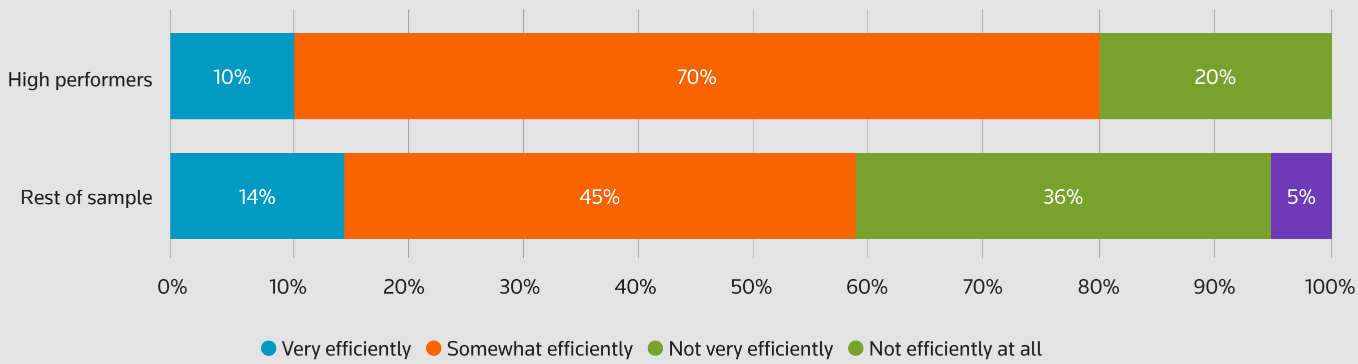
EDIs are a tried and trusted means to exchange information and get around some of the more common issues in supply chains, such as a lack of standardisation, large volumes of physical documents and difficulties synthesising data with internal systems.

While we can expect other means of informational exchange to expand in the coming years, such as APIs, it is clear the EDIs remain the primary means of exchange currently, having been iterated on and improved over time to remain relevant even today, especially in a sector where there can be significant legacy processes.

## 2.5 What high performers do differently: partnerships

It should be no surprise that higher performers are better at coordinating and sharing information with

**Figure 17: High performers better at sharing information with external partners and suppliers**



> *Many companies are siloed in approach and focus! Starting with the outset of the consumer need and then aligning between functions (e.g. commercial, inbound, manufacturing and distribution) on how they work together and what trade-offs they need to make for the greater good of the customers, will drive significant financial benefits across the value chain.*
>
> ***Mikkel Rasmussen, Senior Vice President – Global Head of Sales, Maersk***

their external partners, just as they are internally. While eight-in-10 of those from high performing organisations rated themselves as efficient at sharing data externally, that fell to just under six-in-10 for the remainder of the sample and 5% in the latter admitted to being highly inefficient in this area.

Driving that better performance is a more coordinated approach to data management, connectivity and sharing, alongside a stronger culture of collaboration with partners and service providers.

Higher performers were:

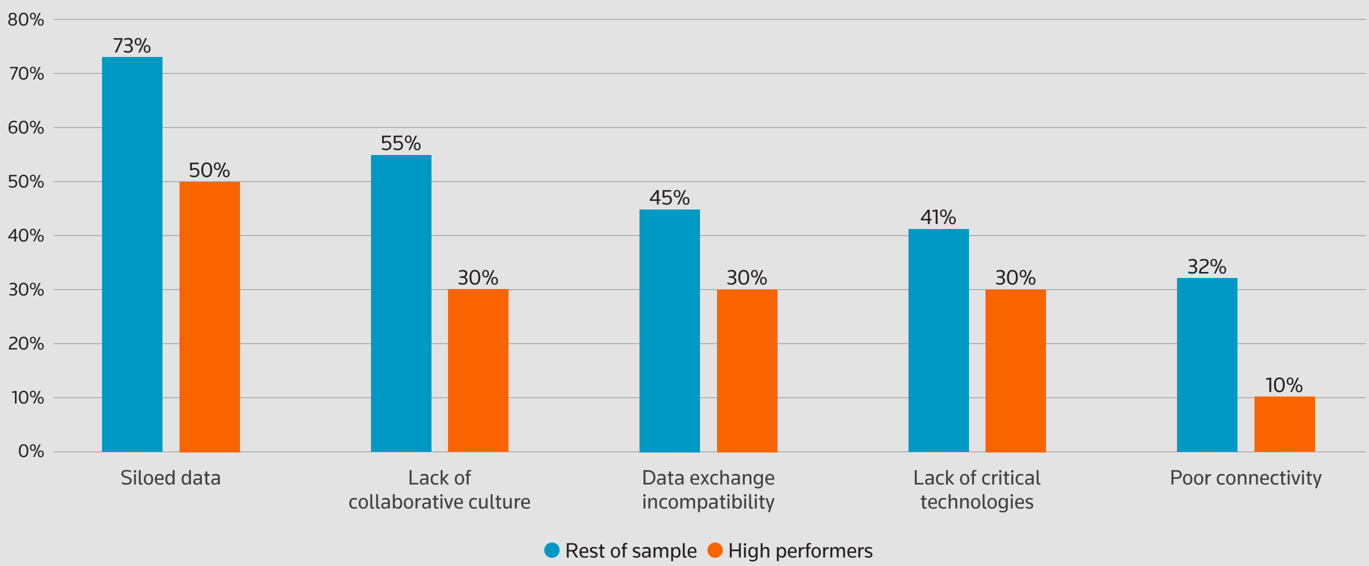
- 23% less likely to find siloed data an issue.
- 25% less likely to struggle with a lack of collaborative culture.
- 22% less likely to face poor connectivity.
- 15% less likely to encounter a technological gap between themselves and partners.

This likely comes from putting data, and the ways to access, share and manipulate it, at the heart of their strategy. As we shall see in Section 3.4, high performers are more likely to have prioritised several key technologies and achieved operational deployment, and this appears to be helping them reduce the issues around data management and analysis.

The overall strong foundation in information gathering and sharing for high-performing organisations is most likely why they less frequently report that improvements in data sharing would make a major difference to their overall resilience. There is 14-points between them and the rest of the sample (48% to 62%) for how impactful they felt better communication could be.

> *I would say that a successful company needs to make sure that their messages are understood by their employees from top executives to frontline.*
>
> *They spend time in defining the purpose of the communication, understand their audience, and monitor feedback.*
>
> *This also leads to higher engagement within the employees.*
>
> *To summarise, stay simple and clear.*
>
> ***Geanina-Lavinia Sincu, Regional Head of Lead Logistics Products & Cold Chain Management – Europe, Maersk***

**Figure 18: High performers far less hindered by connectivity issues with partners**



Similarly, this informational advantage and deeper understanding of the position of goods in transit explains why higher performers were also less likely to answer they would expect major gains from being able to plan faster and more flexibly (35% versus 54%) as some of the advantages have already been realised.

Instead, where high performers see a notable difference versus the rest of the survey is in fully understanding the availability and reliability status of transportation (30% to 12%) and rapidly uncovering bottlenecks (26% to 8%). This seems to highlight a greater focus on being proactive and being able to secure capacity when supply chains are stressed. We have seen how this can be a competitive advantage throughout the recent crises of the last few years, whether that was port congestion during COVID, the Suez Canal obstruction, or the emerging situation in the Red Sea. Furthermore, as noted earlier, disruptions all-too-frequently delay delivery schedules and are highly costly for businesses, so finding ways to mitigate the damage and move goods at times of stress is highly relevant to resilience and efficiency.

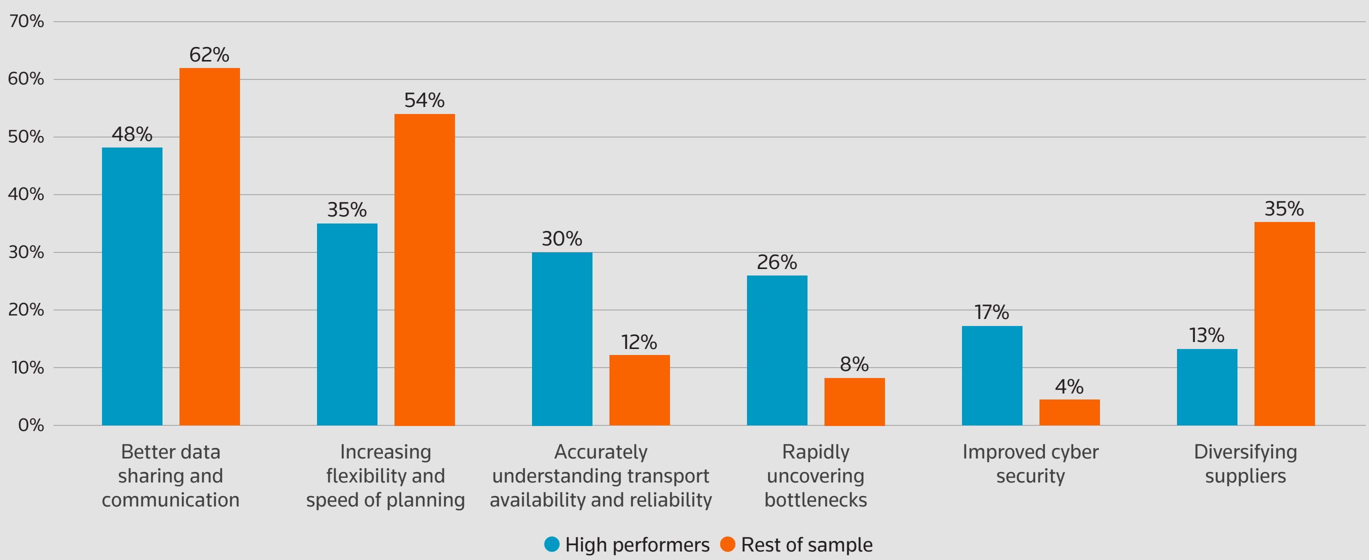
> *When it comes to potential disruptions or making our supply chain more resilient, it starts with the product design … There needs to be mechanisms in place in the organisation that check the resilience factor of that particular launch, both in terms of packaging material and raw materials to enable us to either to go ahead with that innovation or not. We ask all these fundamental questions right at the inception stage so that as-and-when the products are being launched or relaunched, we are building resilience further and further.*
>
> ***Parmeshwaran Iyer, Global Vice President: Digital Supply Chain, Beiersdorf***

These results appear to show that these organisations are already enjoying some of the advantages of their better visibility, more developed relationships, and superior ability to coordinate, especially in a crisis, leading them to see more advantage in zeroing in on impactful points and less need to invest into foundational capabilities.

Interestingly, less resilient organisations were more than twice as likely to report that diversifying suppliers could be a major difference maker, at 35%, compared to 13% for higher performers.

While we have seen a general trend for more diversity in suppliers both globally and in European businesses, with a major focus on reshoring and nearshoring critical and complex pieces of the supply chain, this result appears at face value to run counter to that trend. However, if we look at the framework that high performers operate in, this makes more sense. With their deeper visibility of their supply chain and more efficient relationships with their suppliers, there is less friction overall, deeper understanding of supplier capacity and likely more trust in their supplier network, leading to this lower interest in reconstructing their sourcing structure.

**Figure 19: High performers more likely to expect improvements from understanding transport availability and reliability**



# 3
# THE STATE OF DIGITAL TRANSFORMATION IN EUROPEAN SUPPLY CHAINS

## Key findings

- Digital supply chain transformation is a high priority for 48% of organisation and a top priority for 27%.
- High performers are prioritising digital transformation to an even higher degree, as a third said it was their top priority.
- Only 12% believe that their investment strategy fully meets the needs of their supply chain.
- Three quarters or more of respondents report that forecasting, analytics, supply chain visibility solutions, supply chain management software and process automation are technologies that have made their supply chains more resilient.
- The top three technologies being prioritised for investment in 2024 are supply chain monitoring, tracking and visibility solutions (68%), analytics (51%) and forecasting (47%).
- AI and machine learning has gone from a priority for 12% of the survey in 2023 to 36% in 2024. Analytics rose from 37% to 51%.
- High performers are investing more into monitoring and predicting supply chains, with 96% investing into forecasting technologies, versus 69% in the rest of survey and 83% putting money into supply chain monitoring, tracking and visibility solutions compared to 65%.
- A single source of truth across organisations' supply chains is becoming the norm as 40% said they now had this kind of set up and a further 32% reported they are in the process of instituting one.
- Seventy-five percent of high performers have, or are putting in place, a single source of truth, versus 41% of less resilient organisations.
- Warehouse management systems (73%), transportation management systems (72%) and sales and operations planning (68%) are the most common software types used to manage supply chains.
- Measuring Return on Investment (RoI) for supply chain technology deployments remains a problem, as less than half can measure RoI across most cases.
- High performers are noticeably more likely to have set budgets for supply chain technology investment.

Digital transformation offers a remedy for some of the vexing issues discussed thus far in the report, and consequently is a critical focus for European organisation in 2024.

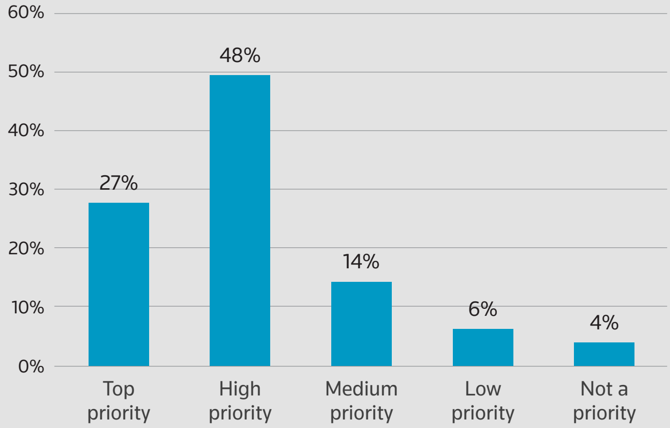
These investments fit within the trends seen thus far within the report, with spending on visibility- related technologies the top priority for organisations, alongside the means to process, understand and forecast via that data.

### 3.1 Digital transformation a core priority for European supply chains

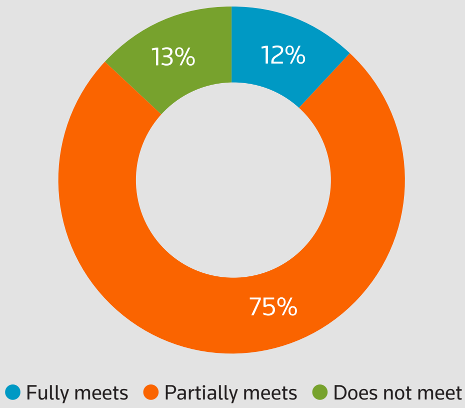
Post-pandemic and in the wake of the massive disruption we have seen in supply chains over the last half decade, digital transformation has come to sit at the heart of the supply chain resilience strategies.

Currently, three quarters of European organisations say that it is one of their uppermost priorities, with 27% noting that it is their top priority.

### Figure 20: How high a priority is supply chain digital transformation for your organisation?




### Figure 21: Do you think your organisation's technology investment strategy meets the needs of your supply chain?




> *Planning transformation should be a priority for European companies, enabled by digital transformation, which will have a positive impact on operations through less waste, better inventory management, and higher resilience, as well as in shelf availability through demand sensing and quick responses to consumer preferences.*
>
> ***Corina Cioranu, CPO & Global Head of Procurement Personal Care, Unilever***

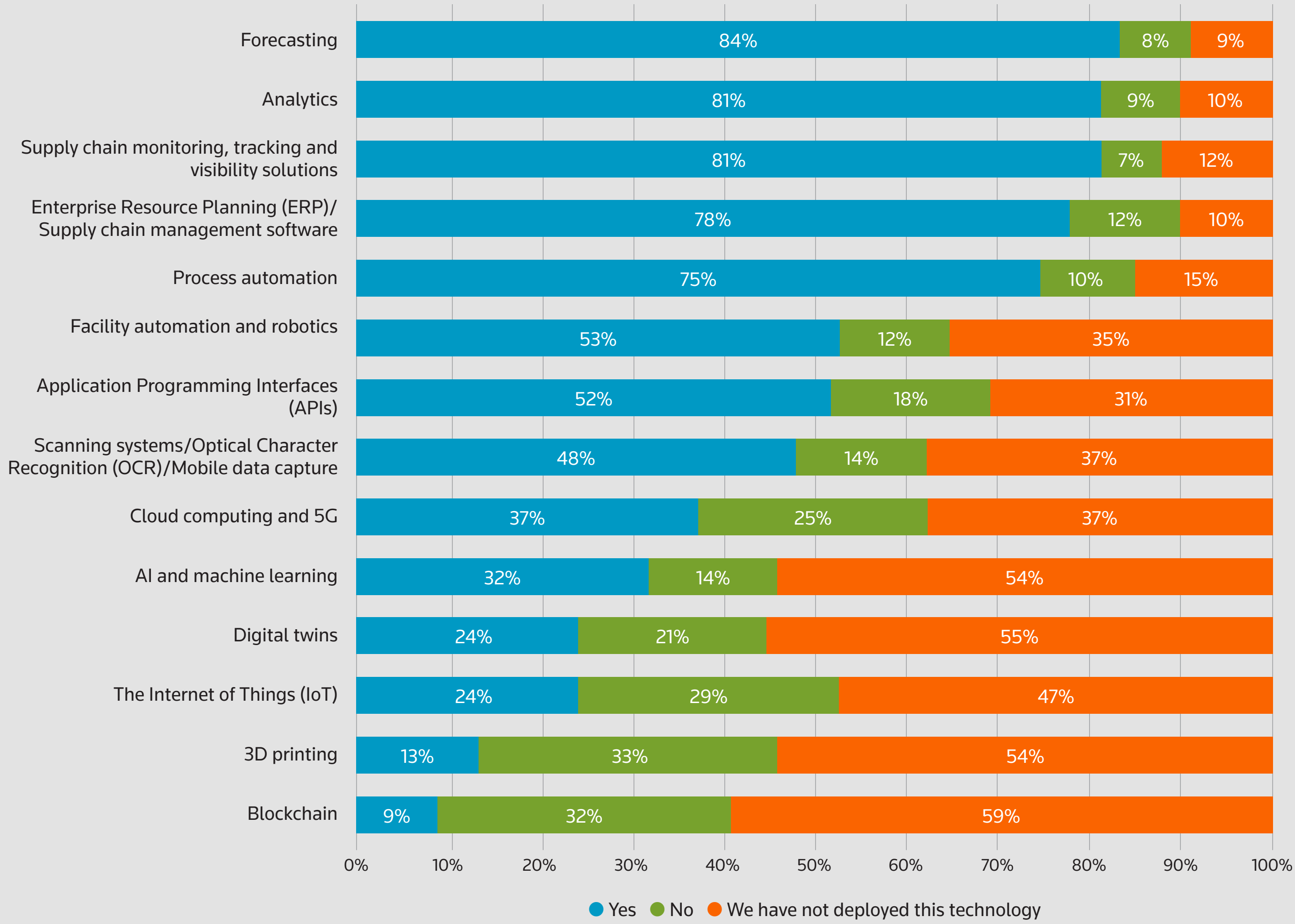
Even with this heightened focus, there may be a need for organisations to do more according to our results, as just 12% think that their investment strategy is currently enough to fully support the development of their supply chain, with the vast majority – 75% – saying that it only partially meets their needs.

Companies may want to increase their determination to bring technology into their supply chains, as already a wide variety of key technologies have improved resilience.

At least three-quarters of respondents said that they had seen improved resilience from usage of forecasting (84%), analytics (81%), supply chain visibility solutions (81%), supply chain management software (78%) and process automation technologies (75%).

Furthermore, these leading investments and deployments had an excellent chance of paying off as, aside from supply chain management software (12%), 10% or less said that

**Figure 22: Have the following technologies made your supply chain more resilient?**




they had not been able to improve resilience from these technologies after they had been deployed.

After this top five, the level of deployment and the chances of deploying the technologies successfully noticeably drops, especially among less established technologies. IoT, 3D printing and blockchain were all much riskier technologies with the majority who had deployed them yet to find that they had made their organisations noticeably more resilient.

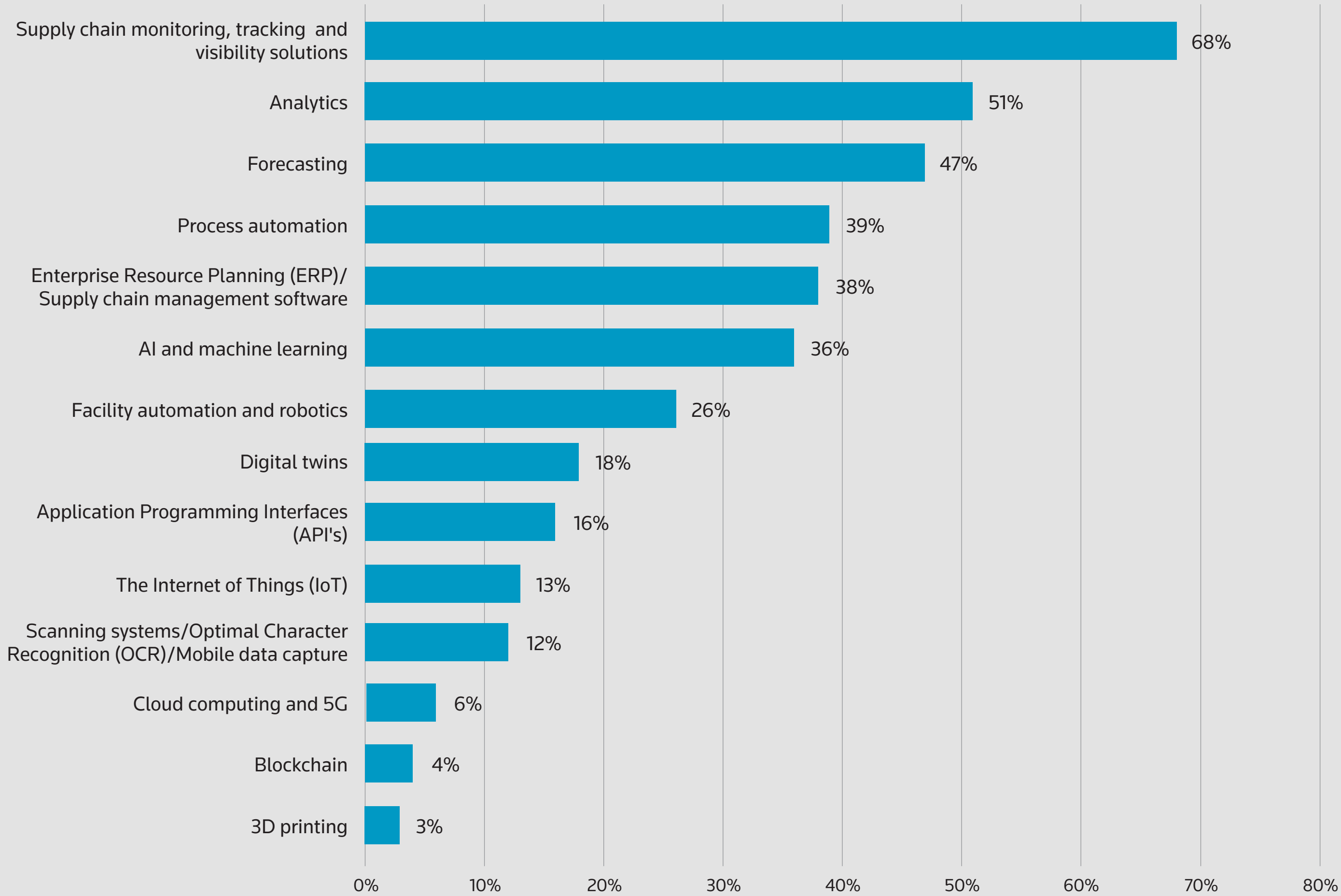
> *Delivering the service at the right cost to your customers comes from a very specific beginning point, which is an accurate forecast for demand ... Without it how can you look to the future without having an idea of what needs to be sold to your customers?*
>
> ***Miquel Serracanta Domenech, Council of Supply Chain Management Professionals (CSCMP) - Board of Directors Member: International Chair***

## 3.2 Critical technologies in 2024

As befits the issues surrounding visibility for European companies and the impact firms have already felt from technology deployments from better data sharing and analysis, the top investment areas in 2024 are in supporting fields, with many reinforcing where they have already seen strong positive impacts.

It should be no surprise that the top three areas for investment are in supply chain visibility solutions (68%), analytics (51%) and forecasting (47%), all of which help address the most glaring weaknesses we have covered in the previous two chapters and are already creating resilience where deployed.

**Figure 23: What technologies will your organisation prioritise for investment in the next 12 months?**




*The top digital transformation investment priorities for European firms in 2024 should be:*

- *Investing into artificial intelligence, machine learning, and IoT to improve operational efficiency and customer experience.*
- *Enhancing cybersecurity measures to protect against data breaches and cyber-attacks.*
- *Improving data management and analytics capabilities to gain insights and make data-driven decisions.*

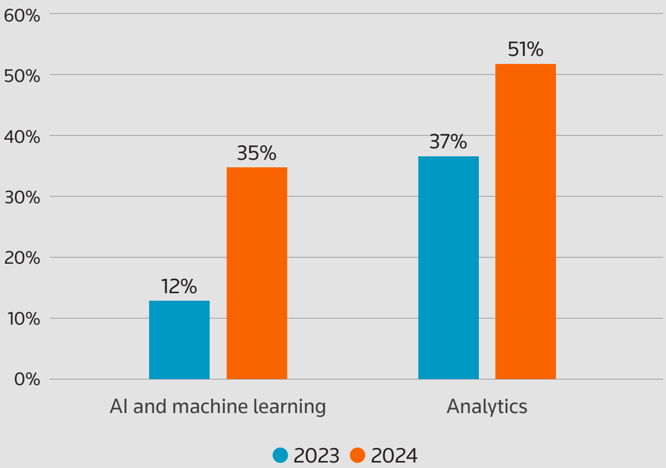
***Francesco Donato, Chief Procurement Officer, Iveco Group***

Further reinforcing the importance of these technologies, analytics was one of the fastest growing areas for investment over our 2023 results. The share of respondents who reported that it was an investment priority moved upwards by 14 points from 37% to 51%.

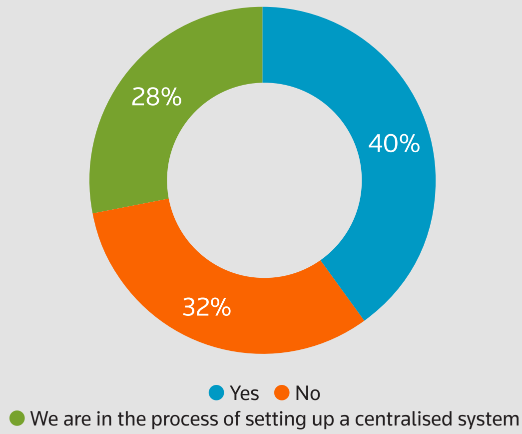
The other major growth area for investment over the next year is AI and machine learning. With the sudden growth in Large Language Models (LLMs) and major advances in machine learning over the last few years, it should be of no surprise that this is the number one technology area for growth in investment decisions among European organisations. Here, the share reporting it as a core focus shot up threefold from 12% to 36% and it seems likely that this upward trend will continue for some time, as there are a number of areas in supply chains where it is highly applicable, particularly in document digitisation and processing. The more general applicability of LLMs to multiple fields maybe behind why process automation, which is linked to these technologies but falls more closely under AI, actually fell as a priority from 2023 to 2024 by eight points.

Supporting these technologies requires a strong foundation and adequate mechanisms to store and order data. One area the sector is now coalescing around as a standard

### Figure 24: AI and analytics major investment growth areas in 2024




### Figure 25: Do you have a single source of truth where supply chain data is held in a centralised system?




> *Looking at the myriad of integrated systems that exist today, and their evolution, it's clear that one of the priority areas is master data management.*
>
> ***Roman Manthey, Global Supply Chain VP, System Value Creation, The Coca-Cola Company***

> *The evolution of technology has enhanced business capabilities in monitoring and responding to supply chain disruptions. Big data and machine learning provide predictive insights on potential congestion points, while digital solutions offer real time updates on order, statuses and scheduling changes.*
>
> *This increased visibility and awareness allows businesses to manage disruptions more effectively, but at the same time they do come at a cost.*
>
> ***Geanina-Lavinia Sincu, Regional Head of Lead Logistics Products & Cold Chain Management – Europe, Maersk***

method to approach this challenge is establishing single sources of truth, which are centralised data systems that aggregate data and end the siloed approach to information, typically operating in the cloud.

In total, 72% said that this was their approach, although only 40% had established a system thus far and a further 32% were in the process of doing so.

The single source of truth is becoming the industry standard because it allows both people and systems to run from one data architecture, thus improving accessibility and easing the process of adding on new systems.

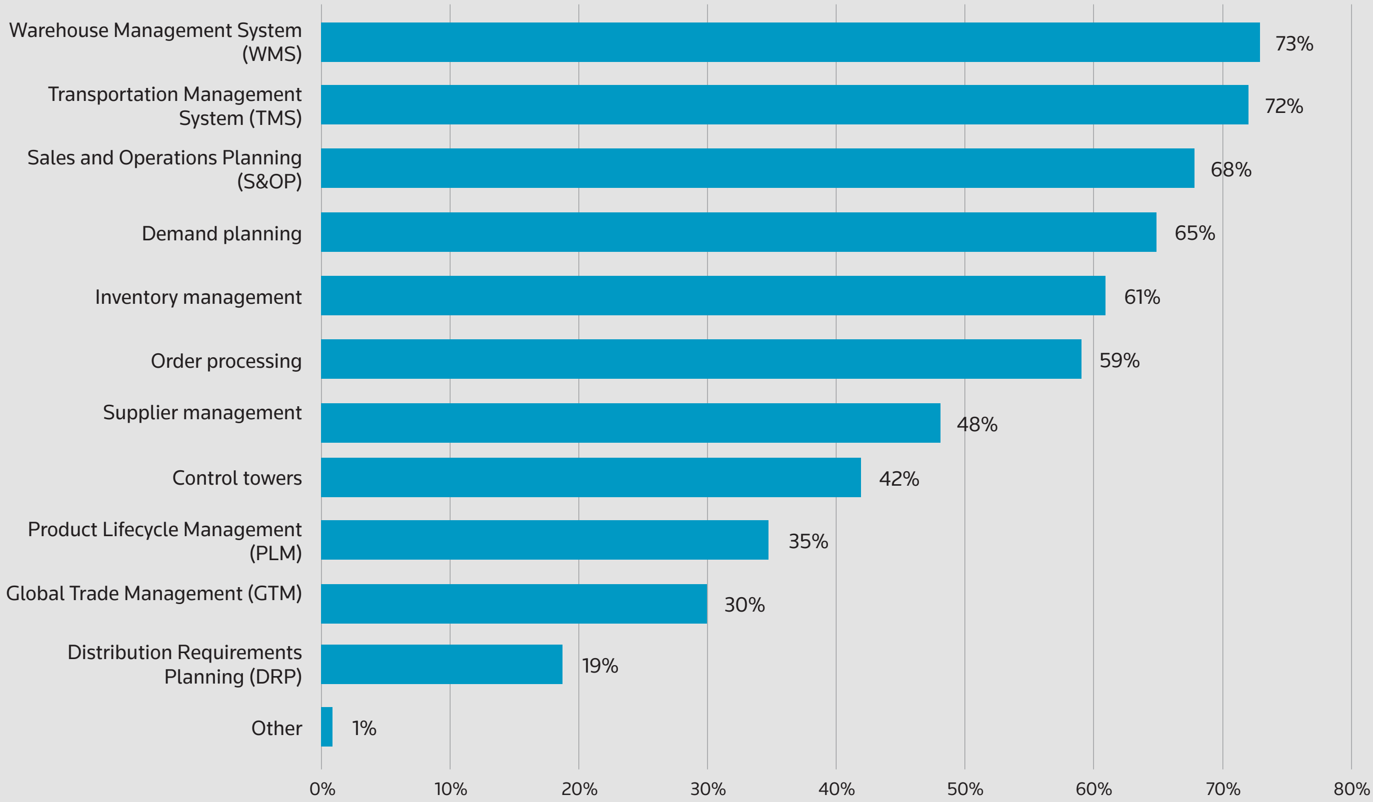
Looking at software in deployment today and it is clear that this is increasingly important as there are a wide variety of commonly deployed tools in use among European organisations.

At least half of the survey population reported that they use: Warehouse Management Systems (WMS - 73%); Transportation Management Systems (TMS - 72%); Sales and Operations Planning (S&OP - 68%); demand planning (65%); inventory management (61%); and order processing (59%) software as part of their supply chain management.

This list should expand over the coming years too, as some of the types of systems yet to cross the threshold of 50% deployment have high utility and can help address some of the major challenges noted in this research.

For example, supplier management (48%) and control towers (42%) are likely to become more common as they help address

**Figure 26: Which of the following software tools does your organisation use to manage its supply chain?**




some of the visibility and communication shortfalls that occur in logistics and manufacturing stages. Additionally, as we shall see later, Global Trade Management (GTM) software is proving useful for high-performing organisations (30%), so should come to be deployed far more widely in the coming years.

## 3.3 Measuring success

While the above investments are sure to enhance the capabilities of European firms, that progress will be problematic and slowed down without robust measurement

> *Engaging our people on the journey is key. We focus on building a culture of learning, agility and ownership. We help our teams to utilise the systems correctly, and to pivot effectively when new data is available, and to challenge better ways of working. This helps us to continuously iterate and improve processes – which is the key to success with the adoption of new systems.*
>
> ***Roman Manthey, Global Supply Chain VP, System Value Creation, The Coca-Cola Company***

**Figure 27: Are you able to effectively measure Return on Investment (RoI) for supply chain technology deployments?**

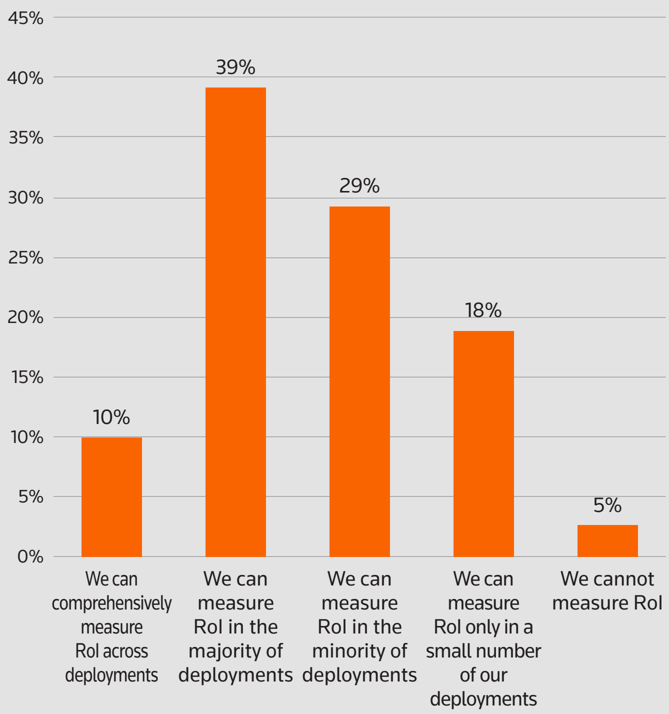
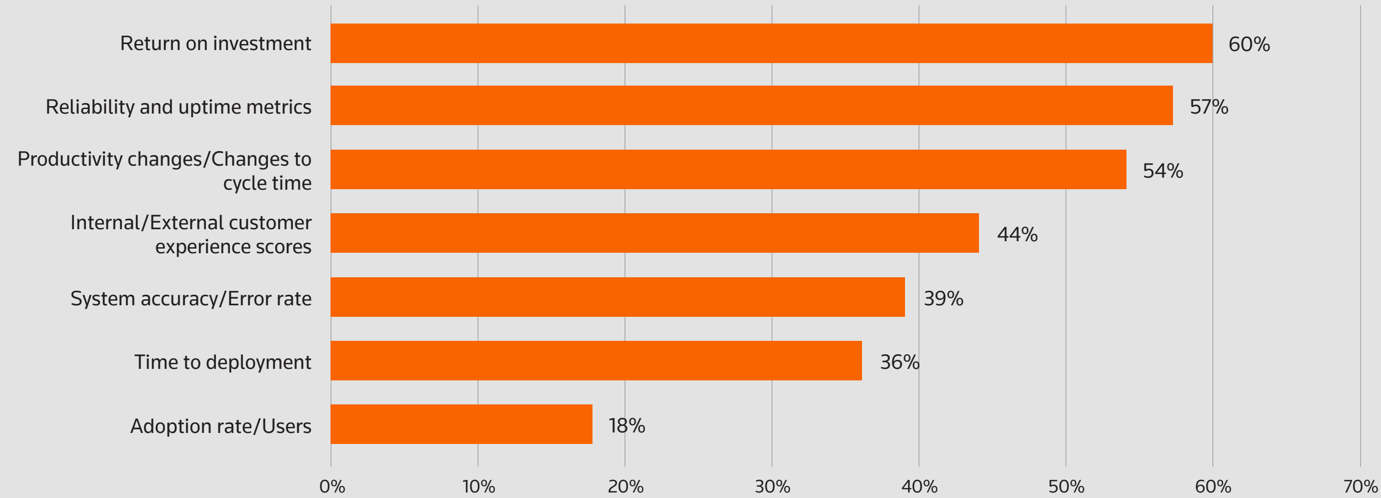


**Figure 28: Which of the following Key Performance Indicators (KPIs) does your organisation use to measure supply chain technology deployment success?**




techniques. However, this is an area where improvement is required according to our survey results.

We found that organisations have limited oversight of whether investments are generating a Return on Investment (RoI) and whether those deployments are being operated successfully by their intended users.

A majority of respondents (52%) told us that they cannot measure RoI in the majority of their supply chain-related deployments, and only one-in-10 said that they can comprehensively measure RoI.

Given that the overwhelming majority of our survey said that their technology strategy only partially or does not meet the needs of their supply chain (Figure 21), this is an area of obvious weakness, and it seems that firms have an incomplete view of how their investments play out within their supply chain operations.

Looking at the measurements that are used and some of those limitations become clear, as even the most popular – RoI – is only measured by six-in-10 and multiple other metrics that could provide valuable context are used by a less than half, such as user experience scores (44%), accuracy and error rates (39%), time to deployment (36%) and usage rates (18%).

Looking at how technology budgets are allocated, and the industry is overwhelmingly set on annualised budgets, which are then largely reviewed once per year (33%) or throughout the year (24%).

**Figure 29: Which of the following best describes your organisation's approach to budgeting for supply chain technology investment?**

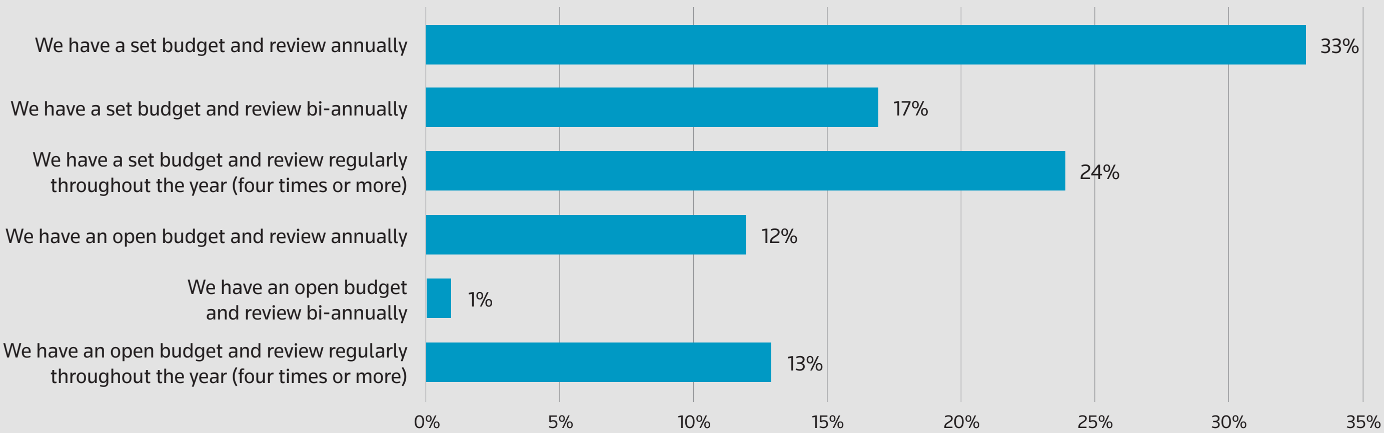
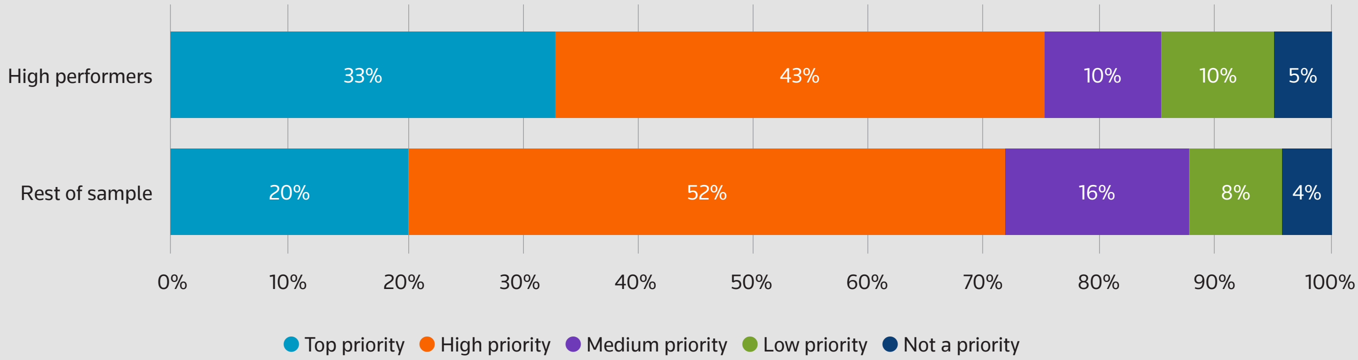


**Figure 30: High performers more likely to highly prioritise digital transformation**




In this context, measuring the success of technology deployments accurately is even more important as there are only small windows to accurately assess and allocate suitable budget. This interplay between budgets, meeting investment needs and metrics may be an area that supply chain decision makers should be focusing more on in the future.

> *Investments will drive value across the supply chain.*
>
> *Investing in visibility, reliability and predictability will allow higher supply chain certainty and reductions in safety stocks and overall inventory levels, while position the inventory location with higher precision. Additionally, the visibility and actionability will drive availability and the ability to actively respond to consumer demand spikes driving growth and additional sales – an often neglected benefit.*
>
> ***Mikkel Rasmussen, Senior Vice President – Global Head of Sales, Maersk***

## 3.4 What high performers do differently: digital transformation

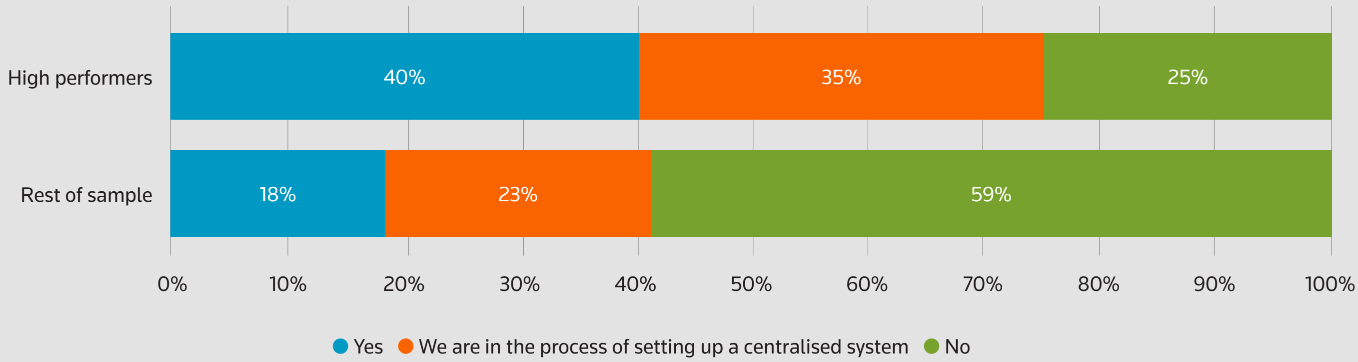
Throughout the technology segment of our survey a common theme emerged: that resilient organisations are prioritising digital transformation and making the necessary investments to integrate high RoI technologies.

They had created set budgets, put in place robust measurement metrics and were pushing forward with key technologies, especially when it comes to visibility-related systems and processes.

This is immediately obvious when we break out how high the two populations value digital transformation, with high performers 13% more likely to say it is their top priority covering a third of organisations in this group, although the share saying it is a high or top priority overall leans only slightly in favour of more resilient organisations overall.

That prioritisation feeds through into technology deployments, with a number of key technologies more likely to already be in place according to our results.

**Figure 31: High performers more likely to have a single source of truth**



The starkest of these differences was in the approach to data handling, with high performers massively more likely to both have a single source of truth and to be instituting one.

While 41% of normal firms had or were building a single source of truth, 75% of more resilient companies were at these stages, with 40% already having a centralised database in place.

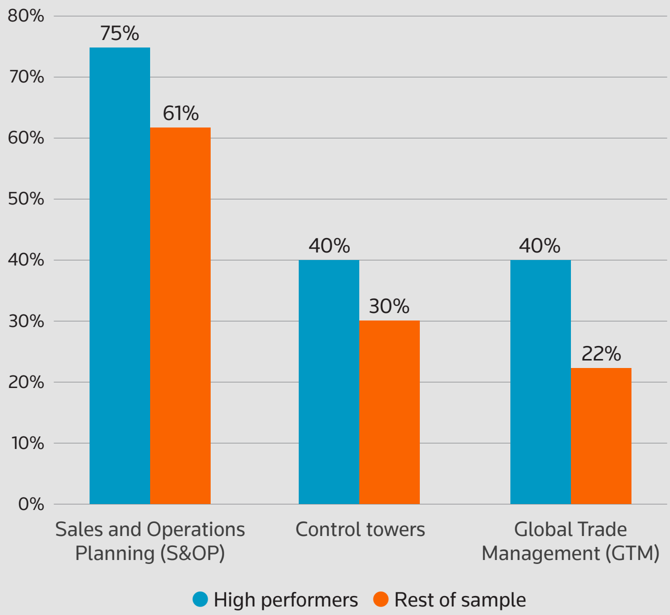
Beyond a single source of truth, further areas where high performers had noticeably higher levels of deployment are in S&OP (+14%) and GTM software (+18%) and control towers (+10%).

These are all technologies that can allow for more accurate planning, procurement and smoother throughput of goods, which fits within the general trend of how more resilient organisations operate generally.

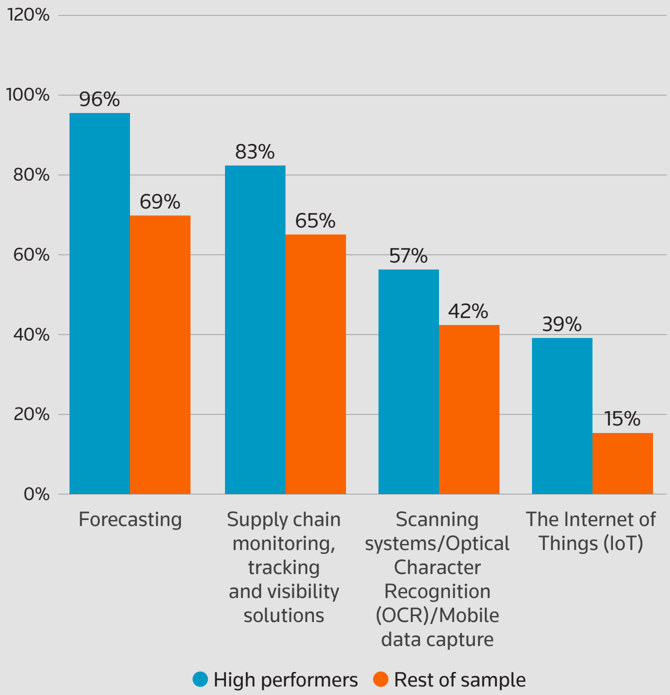
*It is really important to have the right documentation in place, because if you find out that you are missing something that is needed from origin, it could take several days to solve the problem, but at that point you are already close to the end of the supply chain cycle, and you don't have much time to react. Then the whole process is delayed, so this late stage is very important due to its closeness to the final customer.*

***Geanina-Lavinia Sincu, Regional Head of Lead Logistics Products & Cold Chain Management – Europe, Maersk***

## Figure 32: Technologies deployed more frequently with high performers




## Figure 33: High performers investing more into monitoring and predicting supply chains



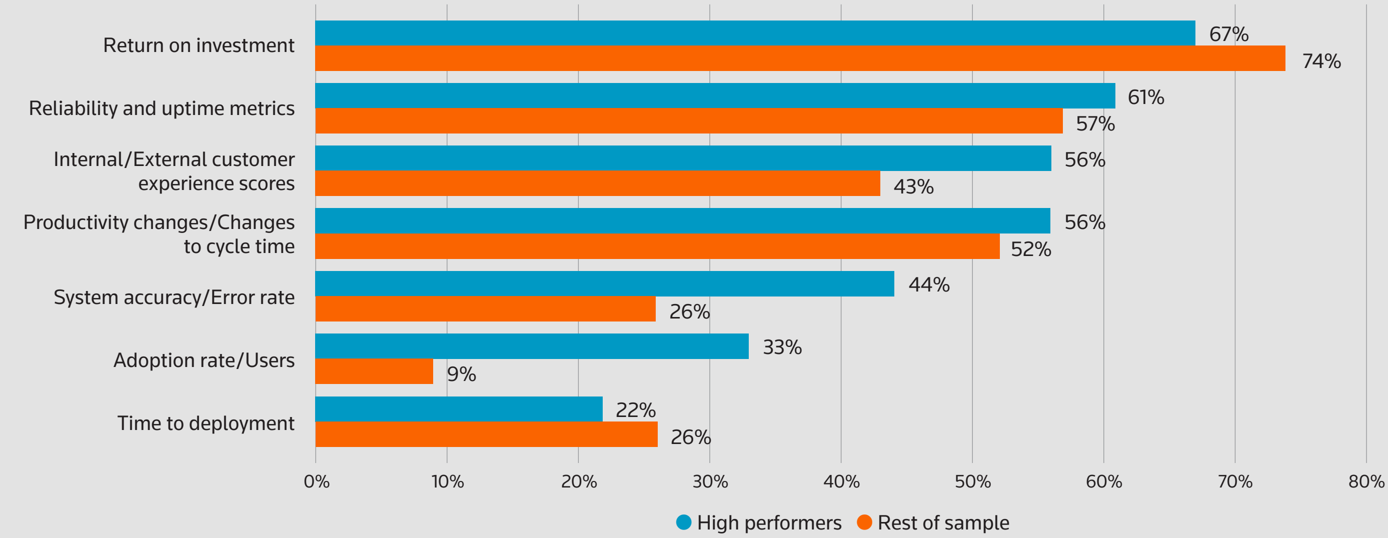

It is worth highlighting GTM software, as we also saw in Figure 11 that high performers have much higher visibility of shipments in transiting ports and customs. This result, in conjunction with the wider deployment of trade management tools, suggests that when goods transit through ports and customs is a key moment of friction and that investments into monitoring and automating this space have high returns.

When measuring the success of these deployments, high performers were much more focused on how systems were being used internally and how users interacted with them.

*What's needed is a continuous improvement mindset in companies to make sure that the processes are not only planned processes, but also very flexible, agile and resilient to potential disruptions.*

***Miquel Serracanta Domenech, Council of Supply Chain Management Professionals (CSCMP) - Board of Directors Member: International Chair***

## Figure 34: Key metrics used by high performers versus rest of sample




We found that adoption rates (+24%), system accuracy scores (+18%) and customer experience scores (+13%) are all areas resilient organisations more regularly monitor.

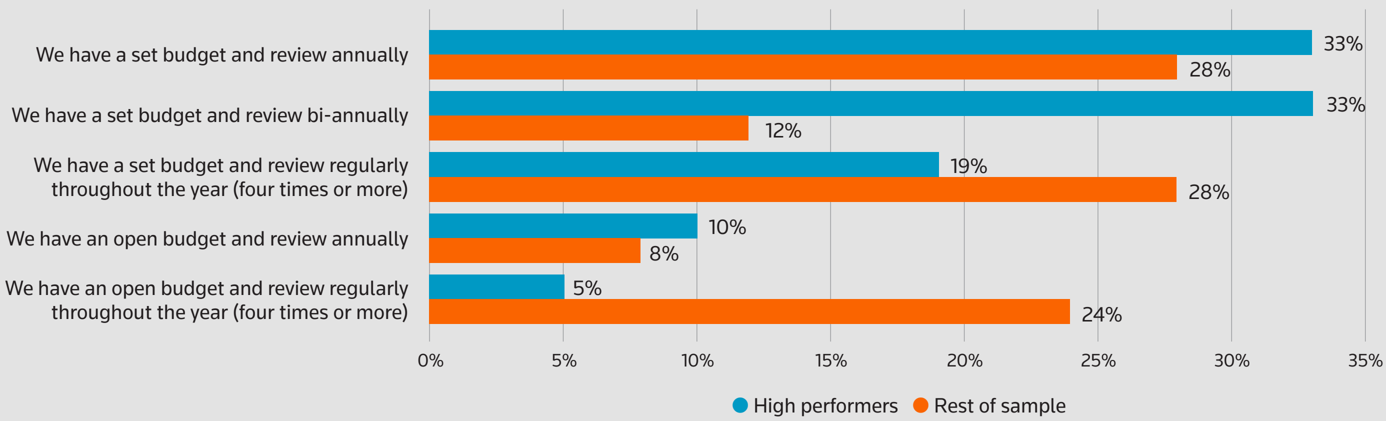
> *When you measure KPIs, it's all about engagement, uptake and accuracy. If you get these right, the return will come. That's the interesting part of choosing the right KPIs. You need to carefully assess and agree your input KPIs to ensure that your output KPIs will be followed. We are currently working on a systematic approach to focus on key input KPIs because we know they can financially drive the outputs.*
>
> ***Roman Manthey, Global Supply Chain VP, System Value Creation, The Coca-Cola Company***

The lesson to draw from this is that zeroing in on RoI over a broader and more nuanced picture can lead to a lack of context and that organisations need to look at the real-world usage of their investments in the hands of their employees.

These results suggest that a strong feedback loop that considers adoption, accuracy and user experience is more likely to lead to systems that are fit for purpose and lead to efficiencies.

A quirk we also identifed within the data is that high performers were much more likely to using a set-and-forget style of budgeting for their technology, with a third reviewing set budgets only once per year and a further third reviewing bi-annually, which is considerable more than less resilient firms. This seems to suggest that stability and long-term planning are key elements to putting in place a successful technology investment strategy.

## Figure 35: High performers prefer set budgets



4

# THE STATE OF SUSTAINABILITY IN EUROPEAN SUPPLY CHAINS

**Key findings**

- Much like supply chain visibility, the ability to record and track greenhouse gas emissions is much lower for sources of emissions based outside the organisation.
- Half of European organisations (51%) can only track Scope 1 emissions and 13% said they cannot monitor emissions at any level.
- However, there are signs of progress: more than half – 52% – now have emissions monitoring tools for their supply chain, and just under two-thirds (65%) think that they can monitor the Environmental, Sustainable and Governance (ESG) performance of suppliers moderately well or better.
- The European Union is widening and deepening the reporting requirements for supply chains and consumers continue to put a premium on sustainability credentials, creating incentives to enhance ESG monitoring.

ESG requirements are already a significant part of the regulatory and business environment in Europe and that trend will only strengthen in the medium and long term as the EU puts in place a series of more rigorous directives.

Already EU larger and more carbon-intensive businesses are required to submit reports to the EU and consumers in the continent are paying more attention to ESG credentials, shifting consumption to more ethical brands when costs are comparable.

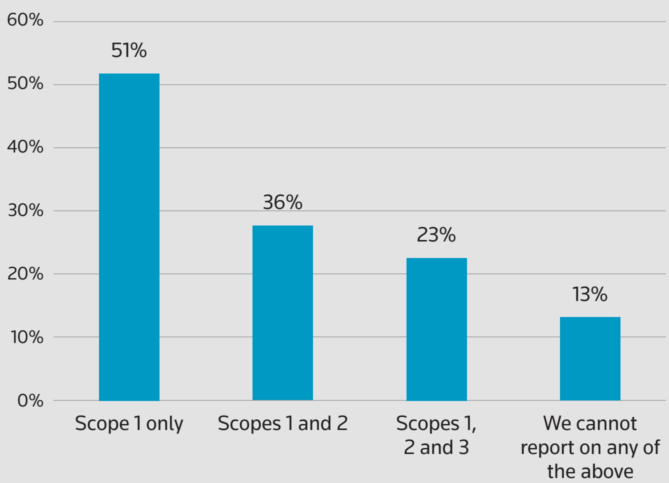
European companies need to be aware of these push-pull factors towards more sustainable business and have frameworks to ensure that their businesses can adequately measure their performance.

## 4.1 The scope of European supply chain sustainability monitoring needs to widen

The EU is one of the world leaders when it comes to creating and putting into force ESG measures and this will continue in the near future.

Just some of the legislation that is being debated and shaped right now includes the Corporate Sustainability Due Diligence Directive (CSDDD), the Ecodesign for Sustainable Products Regulation and a provisional agreement for a 90% reduction in $CO_2$ emissions from heavy-duty vehicles by 2040.

**Figure 36: Which of the following do you track and report on a company-wide basis?**



The overall direction is clearly towards requiring a much more detailed view of the sustainability of supply chains and reducing emissions.

Under the Under the CSDDD, due to enter force in 2027, large companies operating in the EU need to know what is happening in their supply chains, as failure to find and remove practices such as child labour and deforestation is expected to lead to fines. The Ecodesign for Sustainable Products Regulation, also provisionally set for 2027, will require products to have embedded information on their production process and contents through Digital Product Passports.

In this context, much more detailed reporting and scrutiny will be required on the part of companies than is the current norm.

In our results the majority of companies (51%) could only report on Scope 1 emissions (those resulting directly from organisational activity), and reporting fell at each additional level of measurement, down to 23% of respondents who report that they can capture Scope 3 emissions (upstream and downstream emissions resulting from supply chains). A further 13% could not report on their emissions to any of the scope standards.

This leaves substantial gaps in European company reporting capabilities and more organisations will need to capture emissions across their supply chain if they are going to be able to disclose metrics that are becoming industry standard, such as embedded carbon.

*Reducing emissions … requires transparency from all parties along the supply chain and frequent tracking of emissions.*

*There are low hanging fruits were when the supplier, like Maersk, can offer ready-to-use solutions to reduce emissions, but in most cases, supply chain organisations need to set up collaborative programs to support their supplier base, identifying and implementing alternatives to reduce emissions.*

***Geanina-Lavinia Sincu, Regional Head of Lead Logistics Products & Cold Chain Management – Europe, Maersk***

## 4.2 Progress is being made

However, we are seeing progress being made in this area bit-by-bit by European companies. The majority (52%) now report that they have emissions-tracing systems in place and just 13% told us that they are poor at monitoring ESG performance among their suppliers, while a little under two thirds said they can monitor their suppliers moderately well or better.

Companies are coming round to the need to pursue sustainability from a number of angles and understand that if they can't measure emissions and compliance in their supply chain, then they cannot demonstrably make progress with ESG goals.

*European companies need to deliver against their sustainability commitments and therefore must develop and deploy the right digital strategy in this space.*

*Investing in capability building and kicking off a Scope 3 emissions' program with all major suppliers should become one of the sustainability pillars of companies. Just focusing on Scope 1 and 2 is not enough … This is a massive transformation which needs to be started as soon as possible for a proper delivery of Net Zero targets by 2040.*

***Corina Cioranu, CPO & Global Head of Procurement Personal Care, Unilever***

> *Over time, we have seen more and more our suppliers engage on the importance of tracking sustainability-related metrics. It's been a strategic partnership: sharing the vision of where we are going as a company, improving the ways of working with suppliers, and taking a collaborative approach has helped us to shift the dial.*
>
> ***Roman Manthey, Global Supply Chain VP, System Value Creation, The Coca-Cola Company***


> *There are industries where the consumer will drive change and demand action. This is more driven by consumer segment than purely industry trends. For example, value brands can likely delay significant actions – as the value proposition to the customer is on price – but brand leaders should consider ESG mission critical to protect future growth and brand equity.*
>
> ***Mikkel Rasmussen, Senior Vice President – Global Head of Sales, Maersk***

**Figure 37: Can you ascertain the Environmental, Social and Governance (ESG) performance of suppliers?**

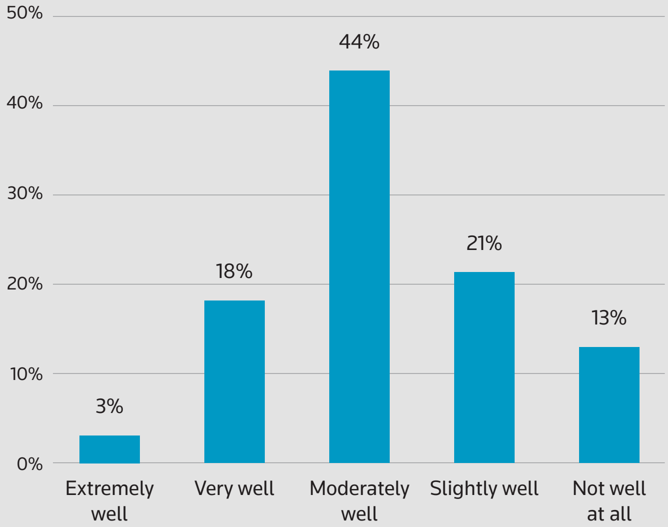
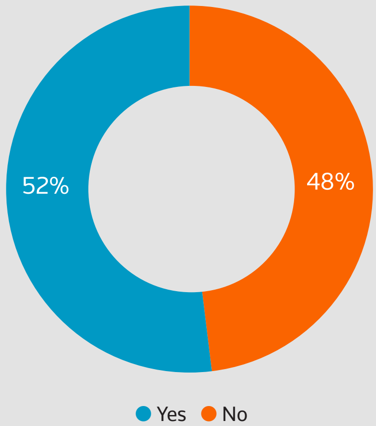



**Figure 38: Do you have tools and systems to trace emissions in the supply chain?**




Progress on those goals will be important not just environmentally and for regulatory compliance, but also in order to match growing consumer expectations.

European consumers continue to place real world value on products that are sustainable, even in the face of high inflation. Shopper surveys consistently show that where budgets and choice permit, consumers look to brands with sustainable credentials, especially in the FMCG sector.

While sometimes ideals don't match practicalities, the trendline is clear, and that is for the European consumers to give more scrutiny to what goes into making their products.

# CONCLUSION

Our deep dive into European supply chains in 2024 reveals a picture of complex, globalised supply chains that are in constant flux.

Getting to grips with the disruptions and sudden shifts in conditions requires deep visibility, close coordination and the ability to rapidly synthesise data from across supply chains and turn that into meaningful forecasts and actions.

It is clear from the analysis of highly resilient organisations that when these moments of crisis do occur, these businesses have the platforms necessary to rapidly identify issues, especially at points of maximum potential friction, understand their implications, and are then able to rapidly secure capacity.

While European firms are making the necessary investments to follow this template and moving towards more technologically enabled and secure supply chains, it seems that there needs to be even more focus in pushing forward this agenda and having robust measurements in place to understand the impact of technologies when they are deployed.

Effectively monitoring supply chains takes on even more importance in the context of ESG in the European consumer and regulatory setting. Expectations and requirements for greater sustainability in manufacturing and transportation are only trending upwards, making investments into visibility even more urgent.

European organisations therefore cannot afford to sit still in 2024 and need to put supply chain digital transformation, and especially the visibility component of it, at the heart of any company strategy. Doing so results in clear performance rewards by cutting the chances of goods being delayed, reducing costs incurred and improving the ability to meet market demands.

# METHODOLOGY

Reuters Events, Supply Chain conducted a survey of supply chain professionals between December 8th 2023 and January 22nd 2024.

The majority of respondents were from Reuters' internal database of professionals but select external partners were also used. A total of 368 respondents replied to the survey, which was filtered down to a European-only survey population of 203.

# ABOUT MAERSK

A.P. Moller - Maersk is an integrated transport and logistics company. We connect and simplify trade to help our customers grow and thrive. At Maersk, we help our key retail, lifestyle, technology, automotive, FMCG, chemical customers with seamless solutions, led by experts who understand the unique requirements and standards of their respective industry. We leverage this knowledge to build our supply chain solutions around customer needs, allowing us to serve some of the world´s most visible brands. The Maersk team works together with customers, living their strategy and growth plans. Integrating our warehousing solutions with other Maersk services such as Ocean, Airfreight, Inland, Customs, and SCM facilitates end-to-end visibility that enhances flow control in a manner that customers can pace their growth and maximise efficiencies and performance. In other words, with Maersk, our customers can bring more opportunities within reach and reduce waste, turning your logistics strategy into a key competitive advantage.