

## Supply chain management: The 10 most important trends for 2025

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Ralf

Duester, Managing Director of Setlog, emphasizes: “Cyber security is becoming essential for survival.”

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- Economic problems and political crises are pushing resilience and cost-savings strategies to the top of the management agenda
- Setlog experts create forecasts based on analyses and technical discussions.

The focus of supply chain management is shifting: Due to political crises and extreme weather events, topics such as cyber security, resilience and transparency are moving to the top of managers' agendas. The economic stagnation in countries such as Germany is also causing them to focus more intensively on the topic of cost reduction. Despite a slight rise in unemployment, the shortage of skilled workers remains a permanent issue, while the topic of sustainability and corporate social responsibility is no longer a top priority for everyone due to the current economic situation. This is the conclusion presented by SCM software specialist Setlog. Its Managing Director, Ralf Duester, summarizes which trends will be important in 2025. His theses are based not only on discussions with experts from the business and research community, but also on data from Setlog customers who use the SCM software OSCA. In the fast-moving consumer goods sectors alone, this includes around 100 brands, such as Tom Tailor, KiK, Marc O'Polo, Wenko and Drive DeVilbiss.

At a glance: The 10 Most Important SCM Trends for 2025

1. Cyber security will be vital for survival.

2. Resilience and risk management will come more into focus.
3. Transparency and collaboration will become a top priority.
4. Regional and global value chains will be reorganized.
5. Shortage of skilled workers requires new measures.
6. Fourth party logistics is gaining in importance.
7. Artificial intelligence is becoming a game changer.
8. ERP systems are being standardized.
9. Innovative technologies and automation are becoming decisive for competition.
10. Laws for green supply chains are forcing action

### **In detail: The 10 Most Important SCM Trends in 2024**

#### **1. Cyber security is becoming essential for survival**

Sealing off the supply chain and maintaining ERP silos is no solution in a globalized world. On the contrary: supply chains are becoming increasingly digitalized and networked. This is why criminals are becoming an increasingly bigger problem for companies. Data breaches, ransomware attacks and security gaps in the supply chain are prompting companies to improve their cyber security precautions. This includes stronger encryption, investment in AI-powered threat detection and new strategies to assess the cyber security measures of suppliers and partners. The best of the best are not only looking at direct attacks, but also threats from their technology providers and suppliers. Market researchers at Gartner predict that around 45 percent of companies worldwide will have been affected by IT attacks by the end of 2025. This represents a threefold increase compared to the situation in 2021. Leading companies are not only investing in technology to be safe from cyber attacks, but they are also regularly training their employees on this topic and conduct security audits.

#### **2. Resilience and risk management come more into focus**

Political crises, new governments, extreme weather events, pandemics: Because the economic conditions have changed in recent years and new challenges are to be expected, the priorities of sourcing, production and supply chain managers have also shifted. Ever since the Covid-19 pandemic, when certain products were temporarily unavailable on the shelves even in industrialized countries, the topics of product availability and resilience have become increasingly important. Basically, resilient supply chain management enables those responsible to keep the supply chain running after negative incidents and new guidelines and specifications. Real-time monitoring, risk management and scenario planning tools make this work easier.

In general, diversification within the supply chain leads to better resilience. For robust supply chain management, leading companies therefore build up a broad portfolio of suppliers and various transportation routes for sensitive materials, products and components. The problem is that they cannot lose sight of the issue of cost reduction. Especially at a time when the economy in countries such as Germany is stagnating and high energy costs and taxes are weakening the global competitiveness of companies, managers are looking closely at the issue of costs. The best of the best have long since awakened cost awareness among the workforce. Anyone who wants to move in this direction should involve employees in sales and cost development through open and transparent

communication. Another important point is greater flexibility. Companies must identify the biggest cost drivers and develop measures to reduce them.

### **3. Transparency and collaboration become a top priority**

Transparency is a prerequisite for resilient and diversified supply chains. If it is fulfilled, those responsible can identify quicker which area in the value chain is affected by an external event. Due to the high volatility in the economy, many companies are putting existing contracts to the test. Flexibility plays a central role in the realignment of contracts. In order to be able to plan better, trusting cooperation between all partners along the supply chain is necessary. This often requires new communication platforms. Modern IT tools can be used to share data, pool resources and make quick decisions in the event of dynamic demand fluctuations. Companies that use suitable algorithms and IT tools to manage demand and supply globally will be a decisive step ahead of the competition which still operates with emails or spreadsheets in this area. Successful players not only talk about collaboration, but also implement it in everyday life - both in internal teams and in the cross-company supply chain between all partners involved. Based on specific roles and rights groups, everyone has access to data and exchanges it, ideally in real time. Companies can improve the responsiveness and efficiency of the supply chain with the help of innovative platform technologies.

### **4. Regional and global value chains are being recombined**

Companies use a mixture of global and regional value chains. After crises, they often identify areas in which regional production makes sense. Nevertheless, the economy is benefiting from globalization. Experts emphasize: Companies must pursue individual approaches to purchasing depending on their industry in order to become more resilient. After the coronavirus pandemic, successful companies have begun to analyze the areas in which regional production makes sense. Studies of car and truck manufacturers have shown that re-shoring or near-shoring certain products or components makes sense. Although this may be more expensive, it makes supply chains more stable and secure. In the fashion or fast-moving consumer goods sector, on the other hand, the enormous cost difference between Europe and the USA on one hand and Asia on the other means that it makes more sense to keep production largely in the Far East without looking for nearby factories or even building new ones.

High energy costs and taxes are arguments that speak against the establishment or further expansion of near- or reshoring in many industries. Furthermore, when it comes to a company's profits, sourcing, purchasing and supply chain management are becoming increasingly important. Especially in the lower and middle product segments, the opportunities to enforce higher prices have become rare. Chinese competitors such as Temu or Shein are driving down prices enormously in many countries. Profits are now generated through procurement - or more precisely - through process optimization. Studies show that collaboration between companies and suppliers, buying offices, factories, quality testing laboratories, logistics service providers and retailers is becoming increasingly important. Companies will therefore continue to strengthen their business networks in the future and seek more cooperation between industry, logistics and IT. During the coronavirus pandemic, they realized that their company-centric systems were not working particularly well. The pioneers in various industries are therefore using tools and platforms that enable encrypted data sharing and support close collaborative workflows in terms of forecasts, purchase orders, production, capacities, delivery and inventory levels in real time.

### **5. Skills shortage requires new measures**

In highly developed industrialized nations in particular, the shortage of skilled workers puts companies in difficult situations in the long term, even though more people are currently looking for

work in Western countries. Demographic change in countries such as Germany is putting additional pressure on management. Analyses in logistics have shown that there is a shortage of around 100,000 truck drivers between Hamburg and Munich. According to the German Logistics Association BVL, the shortage of drivers alone causes additional annual costs of around ten billion euros for the German economy.

Anyone who wants to do something for their company must offer attractive conditions to existing and future employees. Leading companies are also increasing their commitment to career orientation and are responding to the attitude to life of Generation Z. Studies show that young people place a high value on flat hierarchies and want modern tools in their day-to-day work. Successful companies also differentiate their recruitment strategy - for example, according to generation or by groups such as career changers or foreign employees. In addition, they offer various retention programs and show perspectives through parental leave, flexible working hours and training and further education initiatives.

## **6. Fourth Party Logistics is gaining in importance**

Software as a Service (SaaS) has been used by companies for years. However, more and more companies are moving towards outsourcing an entire part of their supply chain - for example production, distribution, procurement, logistics or transportation management. The digital supply chain of the future will increase the need for companies to outsource, i.e. to use Supply Chain as a Service (SCaaS) or services from Fourth Party Logistics (4PL) providers to orchestrate all logistics activities in industry and commerce.

According to studies, this trend is becoming increasingly important because many companies have neither the expertise nor the money and resources to use all new technologies available to handle the increasing complexity in supply chains independently. At best, some companies will do this work internally in future - at least in part. The American experts at the Gartner research institute are convinced that the market will grow by double-digits and that the market value will reach almost nine trillion US dollars by 2027. The benefits of moving to a digital supply chain include end-to-end global electronic connectivity, increased productivity, lower costs, better service, greater flexibility and customer-centric supply chains. Failure to advance these trends will result in a lack of competitiveness and, consequently, financial problems.

## **7. Artificial intelligence is becoming a game changer**

Due to its ability to adapt to complex, dynamic environments and the extensive data available there, artificial intelligence (AI) is particularly important in logistics. In intralogistics, for example, there is a great deal of potential for AI, which can currently mostly be realized using mathematical optimization methods and in which classic operations research (OR) methods such as linear programming or simulation are used. Decisions that can be supported by these methods include the batching of orders, the allocation of orders to resources or route optimization. Compared to traditional optimization methods, AI algorithms offer new possibilities for these issues in order to incorporate more complex correlations and diverse influencing factors and thus tap into new potential. The pioneers in the economy will automate many processes even more and use the advantages of AI in the area of prescriptive analytics and autonomous agents to achieve efficiency gains. With AI and innovative technologies, companies can speed up processes from planning to delivery, personalize production, reduce buffers, control processes efficiently and ultimately counteract the shortage of skilled workers. If you believe Open AI, in the future AI will not only conduct business negotiations but will also independently produce innovations.

## **8. ERP systems are being standardized**

Large corporations with more than 20 ERP systems are not uncommon, even smaller companies often work with two or three different systems. The inefficiencies of these silos were already apparent before the Corona crisis. Covid-19 showed management where the IT architecture was failing. The parallel use of multiple systems artificially increased inventory buffers slowed down the flow of information and resulted in high IT costs for interfaces, maintenance and upgrades.

“Best of breed” solutions are in demand. It is becoming increasingly apparent that companies are adapting and individualizing their own ERP solutions too intensively instead of relying on future-oriented, collaborative solutions with intelligent links outside of ERP. For many, this was and still is a bottomless pit. More and more companies are looking at cross-company processes and tearing down their silos as they can no longer afford the effort or the associated hassle. Industry leaders are moving their supply chain workflows to a collaborative platform that transcends silos and enables both data sharing and true data transfer across departments and organizations. API- connected solutions with intelligent IT architecture break down silos and enable cross-company work with flawless data exchange.

## **9. Innovative technologies and automation are becoming decisive competitive factors**

Due to the global geopolitical crises and the current economic situation, company coffers in some sectors are not as full as they were a few years ago. Nevertheless, many companies have only put automation and digitization projects that have already started on hold for a short time and are now pushing them forward again in the long term. Because the fact is: Only those who can keep up with high-performance logistics and the highest service levels will lead the market. Budgets earmarked for digitalization, big data analysis, automation, robotics, energy saving and solutions for last mile optimization are money well invested. In internal logistics, for example, manual processes need to be automated and digitalized. Robotics and machine learning play a major role in order to be fast on the one hand and to keep the error rate to a minimum on the other. The use of open-source software is also becoming increasingly popular. There are now successful practical examples based on clear rules - such as those of the Open Logistics Foundation. Its members no longer invest dozens of hours in programming simple standard interfaces themselves, but instead use existing interfaces from their partners, with whom they are sometimes in fierce competition.

## **10. Laws for green supply chains force action**

Even if politicians in Berlin and Brussels stop, postpone and soften the content of supply chain and deforestation laws, the regulations on ESG, short for environmental, social and governance, will force more detailed reporting - especially on three topics: carbon emissions, waste management and ethical labor practices. Companies that do not comply with ESG standards face severe penalties, pressure from investors and may lose the trust of customers. In addition, regulations such as the EU Corporate Sustainability Reporting Directive (CSRD) or the Deforestation Act will require greater transparency of sustainability activities in the supply chain. Compliance with these laws means that leading companies are already investing in ESG measures, optimizing data reporting and working with sustainable suppliers. To comply with the guidelines, companies are improving transparency in the supply chain. More and more are linking their lower-tier factories to purchase orders and build transparency with upstream suppliers.

Importers of fast-moving consumer goods, for example, create deep visibility in order to comply with EU directives for deforestation-free supply chains. ESG is not only a top issue for corporations, but also for SMEs. Effective climate protection measures also require a rethink in the minds of employees and a modification of current work processes. Successful companies are also increasingly thinking about how they can implement circular economy strategies so that fewer goods are destroyed. Players who cannot trace the path of their products from development to procurement and

production to shipping will find it difficult to meet the new requirements of governments, consumer associations and customers. There is a lot of talk about bureaucracy, especially from those who overlook intelligent IT solutions. You can minimize manual data maintenance in the ESG area if you simultaneously rely on digital options and thus achieve added value.