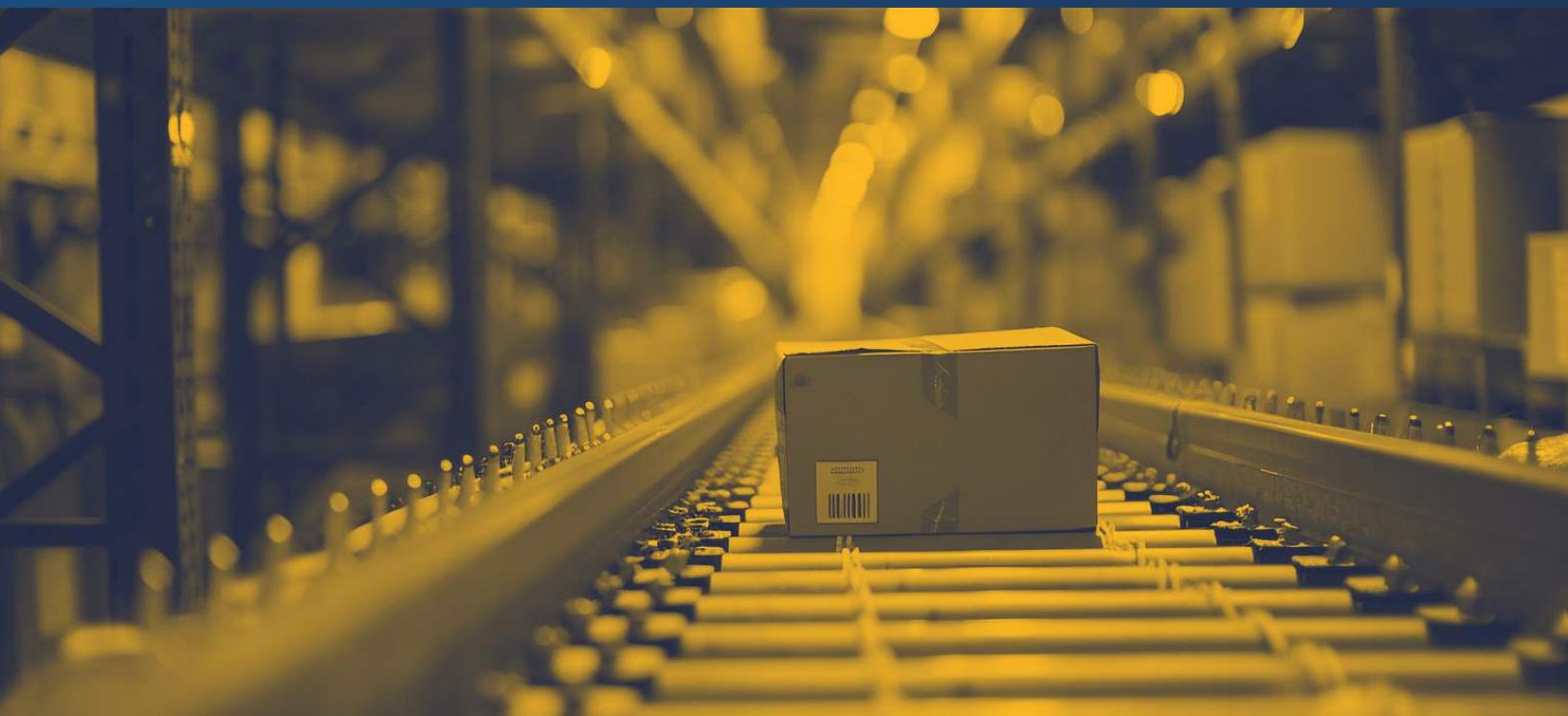


— TRENDS SHAPING 2025 —

STATE OF THE SUPPLY CHAIN INDUSTRY



BLUE RIDGE

EXECUTIVE SUMMARY

In recent years, distributors, manufacturers, and retailers have increasingly emphasized strengthening their supply chains to address evolving global challenges. For six years, Blue Ridge has surveyed industry leaders to explore their obstacles, potential solutions, and the influence of technological advancements on operations.

The year-end 2024 survey results highlighted many of the same challenges that have affected the industry in past years, while also addressing emerging trends that provide insight into the industry's future direction and trends shaping 2025. The findings emphasize a collective **shift towards resilience-focused strategies, balancing cost efficiency and high service levels** despite ongoing uncertainties.

Organizations are increasingly focused on improving supply chain resilience, adapting to unexpected disruptions, and optimizing their inventory management processes. This has been driven by challenges like fluctuating demand and logistical issues.

Businesses are actively evaluating the balance between cost control and maintaining high service levels. This is indicative of an ongoing effort to remain competitive while managing expenses effectively.

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KEY TRENDS SHAPING 2025 INCLUDE:

- Companies cited **managing complex customer demand** patterns (76%) and **increasing volatility** (73%) as their primary challenges—consistent with 2023. This continued focus underscores the difficulty of forecasting in a volatile market.
- Revenue growth** remains a high priority for the majority of organizations (59%), as they continue to seek stability and competitive positioning. In the current economic climate, companies are refining their sales strategies and operational efficiencies to meet growth targets.
- The most notable shift is in **technology adoption**: the vast majority of companies (82%) either already have or plan to use ML in forecasting and supply chain planning—up significantly from 57% in 2023. This highlights the growing trend toward AI adoption, as companies recognize their potential to enhance accuracy, reduce inefficiencies, and create a strategic advantage.

In an environment marked by economic uncertainty and shifting consumer behavior, advanced supply chain technology has become critical for staying competitive. By investing in AI and ML-powered tools, industry leaders can optimize returns and make smarter inventory management decisions, positioning themselves for success in a challenging landscape.



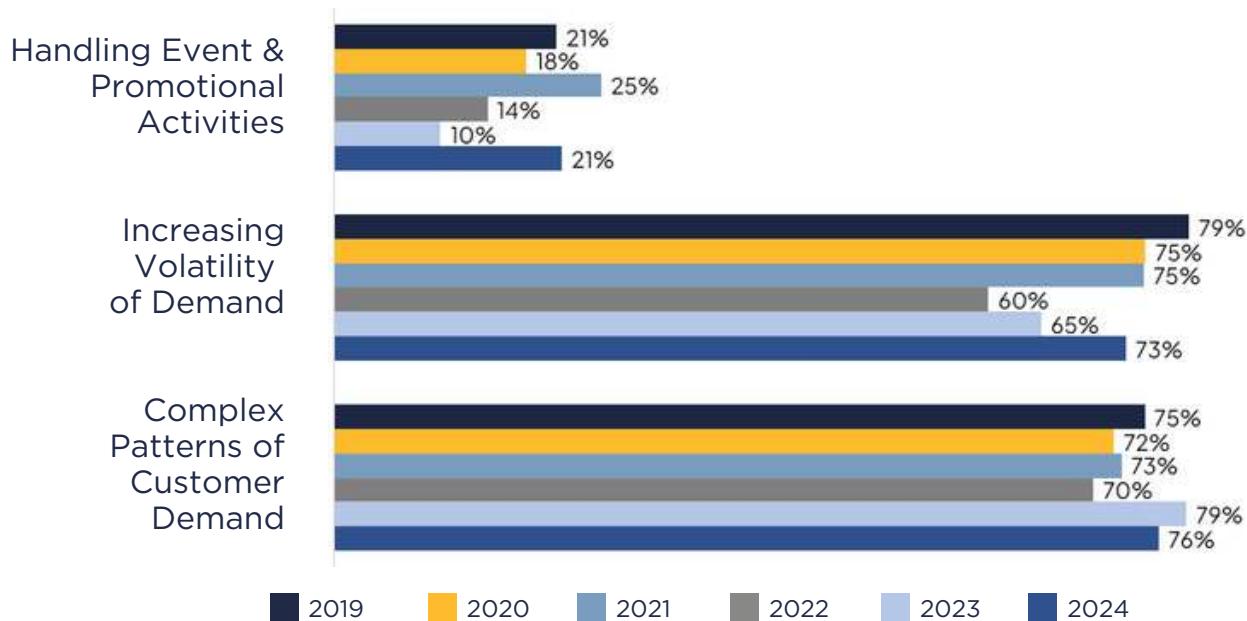
SURVEY RESULTS

Forecasting demand accurately is a perennial challenge, with many survey respondents citing it as a top concern. As businesses grapple with unpredictable demand patterns, the need for accurate forecasting becomes even more critical. Inaccurate forecasts can lead to costly outcomes, such as stockouts and overstock situations, which both disrupt the customer experience and impact financial performance.

THE 2024 YEAR-END SURVEY HIGHLIGHTED THESE TOP CHALLENGES:

- Complex patterns of customer demand (76% - on par with 2023's 79%, 2022's 70%, 2021's 73% and 2020's 72%)
- Increasing volatility of demand from new customers and competition, including e-commerce (73% - up from 2023's 65% and 2022's 60%, but down from 75% in both 2021 and 2020)
- Managing new product introductions (43% - on par with 2023's 46%, but up from 2022's 34%, 2021's 42% and 2020's 44%)
- Long lead times (30% - continuing the significant downturn from 2023's 51% and 2022's 76%, dropping even lower than the 38-42% reported in 2019-2021)
- Handling event/promotional activities (21% - significant increase from 2023's 10% and 2022's 14%)

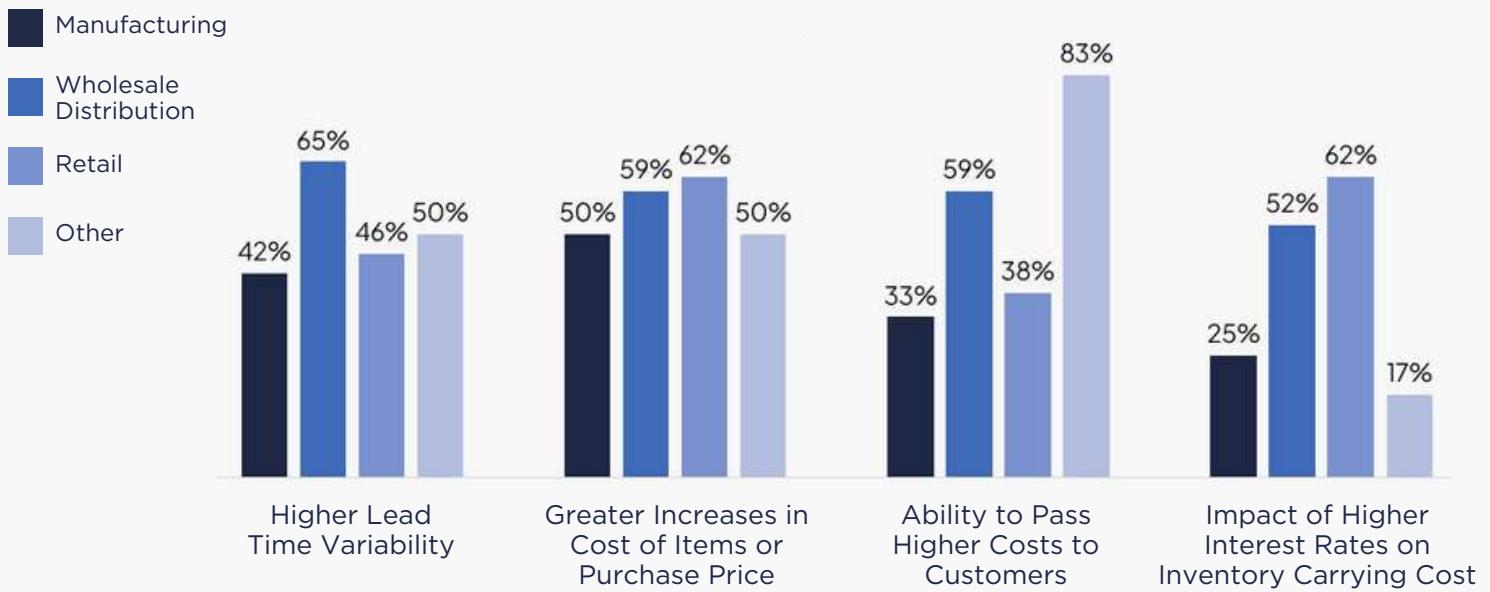
TOP 3 FORECASTING AND INVENTORY PLANNING CHALLENGES



Long lead times continue to become less of an issue as the macroeconomic conditions ease and the supply chain teams adapt to post-pandemic trends. Of all survey participants, 57% observed decreased lead time variability, down significantly from 2023's 67% and 2022's 80% but still higher than 2020 and 2019's 56%. On the wholesale distribution side, more distributors saw lead time variability increases (65% - up from 2023's 55%, but down significantly from 2022's 81%). This difference highlights varying impacts of market shifts across sectors, with wholesale distribution bearing a heavier burden in adapting to fluctuating lead times.

By the end of 2024, organizations were increasingly challenged by the complexities of managing demand around events and promotional activities. This concern has grown substantially, with 21% of companies now identifying it as a top issue, up from just 10% in 2023. The surge in focus can be attributed to several factors. As recession fears loom, companies are using promotions more strategically to drive consumer spending, further amplifying demand volatility. This, in turn, increases the need for precise planning to avoid stockouts or overstocking during critical promotional periods. Additionally, many organizations continue to grapple with limited internal processes and tools (21%), which hinders their ability to adapt quickly to demand fluctuations driven by promotional events. With long lead times no longer as critical a concern post-pandemic, companies have shifted their focus toward refining promotional planning as part of their broader supply chain resilience strategies.

TOP BUSINESS TRENDS BY INDUSTRY



Costs continue to climb for both manufacturing/light assembly and wholesale distributors, with notable year-over-year rises. Among wholesale distributors, 59% observed more significant cost increases compared to previous years, while 50% of respondents in manufacturing and light assembly reported similar upward trends. This persistent cost growth underscores the pressure on these sectors to adapt their pricing strategies and manage rising expenses effectively. These findings reflect the varying ability of sectors to manage costs, as higher interest rates on inventory carrying costs hit industries like wholesale distribution harder due to typically lower margins.

In 2024, 52% of survey participants reported an increased ability to pass higher costs on to customers, up from 45% in 2023. This trend reflects a strategic adaptation to ongoing cost pressures, despite inflation easing from last year. Interestingly, the ability to transfer costs varies significantly by industry. Wholesale distributors lead in this area, with 59% reporting the trend, compared to just 33% of manufacturers and 38% of retailers.

This variation highlights how higher interest rates on inventory carrying costs impact industries differently, often placing the greatest burden on those with lower margins, like wholesale distributors. While concerns over lead times have eased in the post-pandemic landscape, managing cost pressures remains essential for companies seeking to preserve profitability and maintain service levels.

As companies navigate these challenges, strengthening inventory management practices is crucial. With demand patterns and cost pressures continuously evolving, a focus on adaptable and precise inventory planning is essential for businesses aiming to protect profitability and sustain competitive service levels.

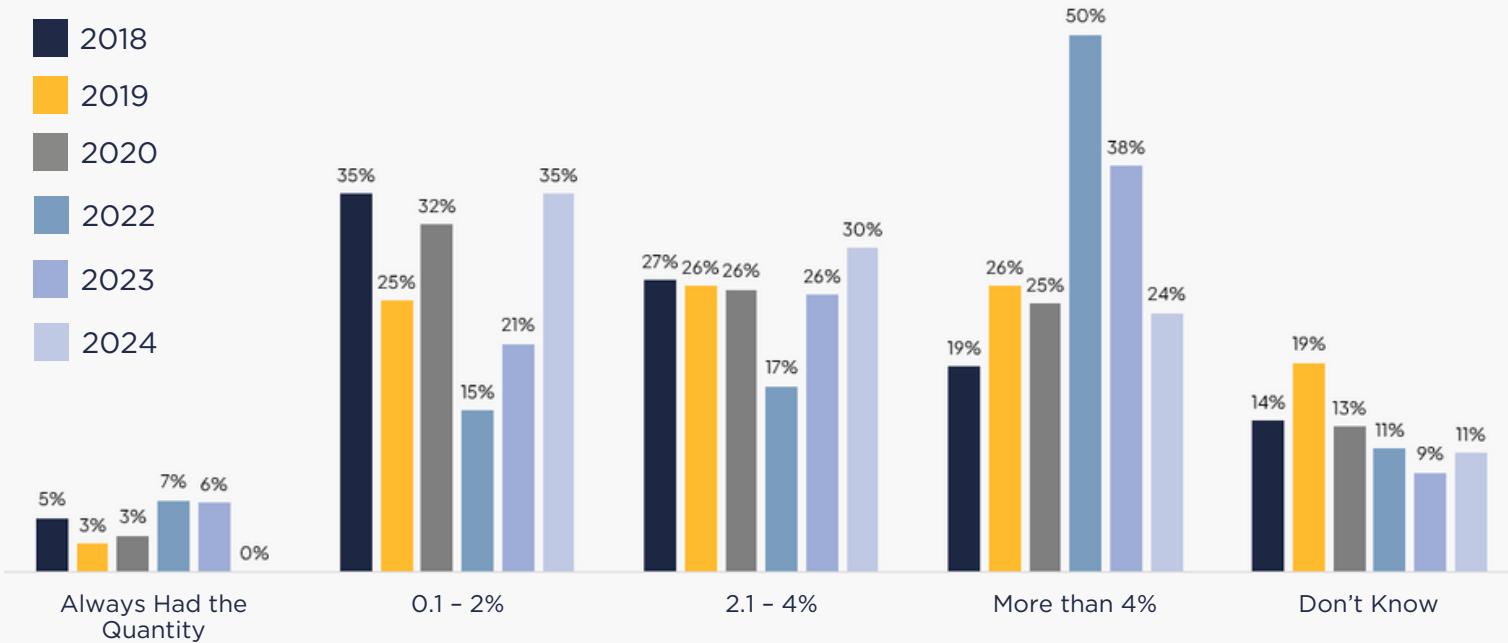


52%

Reported Increased Ability to Pass Higher Costs to Customers



IN THE LAST YEAR, ON AVERAGE, WHAT PERCENTAGE OF THE DEMAND COULD NOT BE FULFILLED FROM CURRENT ON-HAND INVENTORY OR SUPPLIES?



THE INVENTORY PICTURE

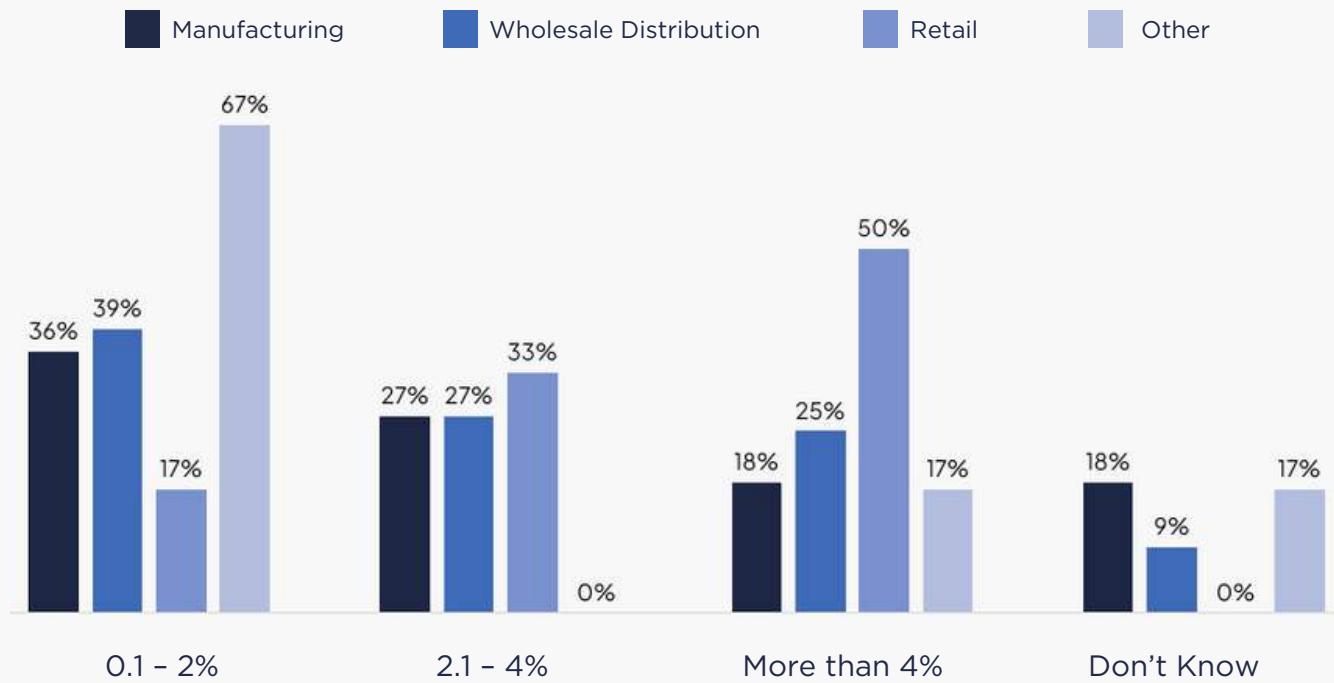
Inventory management remains a pain point within the industry. One factor that is important to consider when discussing industry challenges is the out-of-stock question. The survey shows a positive trend in companies' ability to fulfill demand from current on-hand inventory or supplies, returning to pre-pandemic levels in most categories. Only 24% reported that they could not meet consumer demand more than 4% of the time – significantly down from 2023's 38%.

Unfortunately, there has been a slight increase in respondents (11% in 2024 compared to 9% in 2023) that did not know how this affected their business, hinting at their lack of control and command of service levels. Although this percentage has remained fairly low (under 20%) year-over-year, it is important to note that companies falling into this category are at a competitive disadvantage without this type of visibility into the business impact, a challenge that investing in a supply chain solution could address.

There was a significant variance identified when breaking down 2024 out-of-stock by business segment. In general, manufacturing and light assembly are better suited for managing inventory levels, with over a third reporting out-of-stocks less than 2% (resulting in a 98% or higher fill rate), most likely because they are upstream in the chain. Wholesale distributors, however, are not faring as well. According to the report, half of wholesale distributors have a fill rate of 96% or less.



2024 OUT OF STOCK COMPARISON BY INDUSTRY



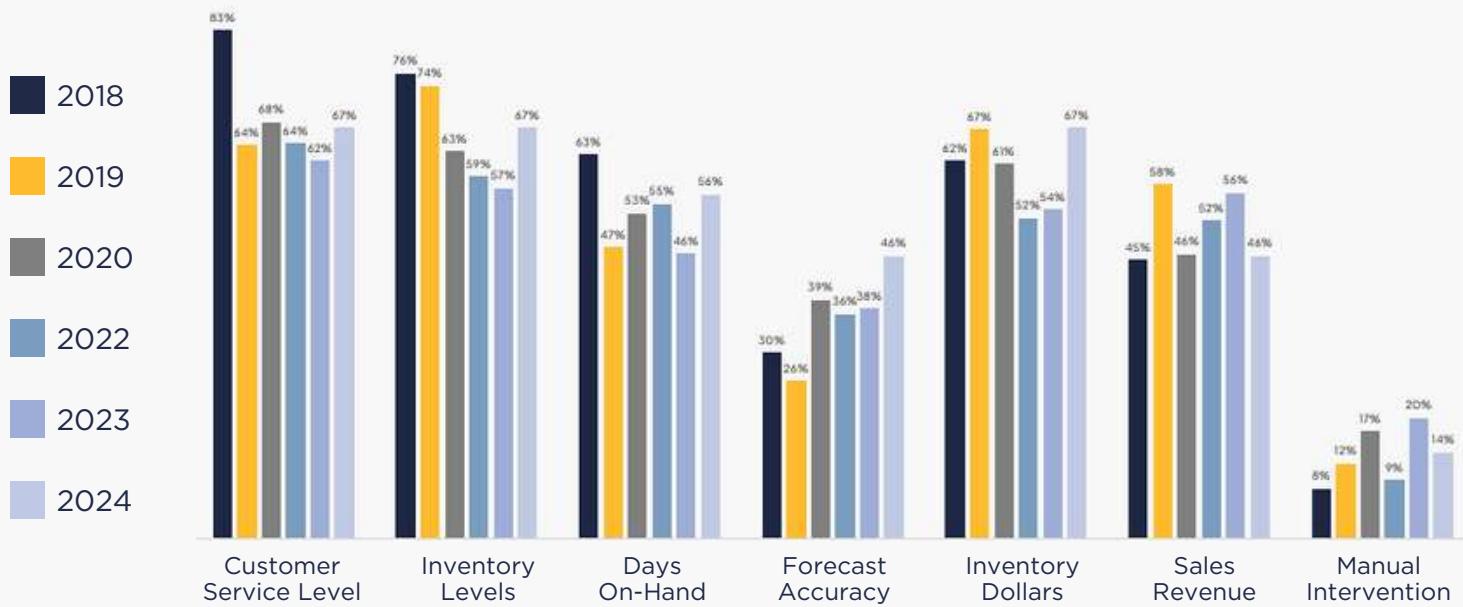


IMPLEMENTING TECHNOLOGY

Streamlined inventory management and operational efficiency are essential for achieving the clear primary objective across sectors – revenue growth. To stay on track, companies should assess their current technology strategies and identify areas where infrastructure upgrades could drive further improvements.

Companies continue to rely on similar performance metrics as in previous years, with **inventory dollars** (67%) and **inventory turns** (67%) ranked as the top key performance indicators of supply chain success. Conversely, **reduced manual intervention** (14%) remains the least common metric in inventory optimization, likely due to the challenge of tracking it effectively. This focus on inventory dollars and turns, rather than process metrics, suggests that companies prioritize cash flow-related outcomes over the specific methods used to achieve them. To maximize operational efficiency and cost savings, companies might consider adding manual intervention as a success metric, particularly as they adopt new technologies.

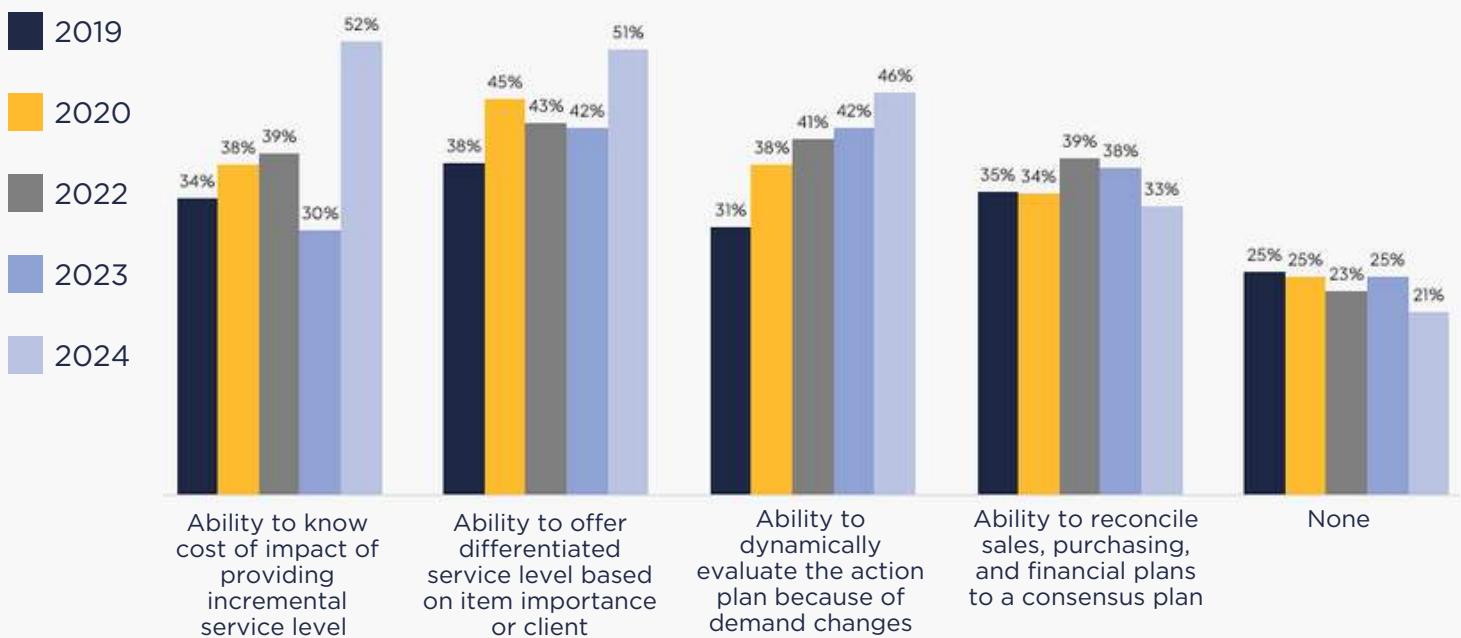
HOW DO YOU CURRENTLY MEASURE SUPPLY CHAIN PLANNING SUCCESS?



The survey reveals significant progress in inventory planning capabilities. 52% of organizations now report knowing the cost impact of providing incremental service levels—up from 30% last year. Additionally, a large segment leverages tools that offer differentiated service levels by item importance or client (51%) and dynamic action plans based on demand changes (46%). The increasing trend toward dynamically recalibrating inventory policies to changing demand reflects a growing emphasis on a resilient and adaptable supply chain strategy. On the other hand, only 33% of companies report the ability to align sales, purchasing, and financial plans into a consensus plan, marking a year-over-year decrease. This could indicate that while some organizations excel with adaptive planning tools, others may face challenges with the complexity of cross-functional alignment.



EVALUATING THE SUPPLY CHAIN – COST & SERVICE TRADEOFFS





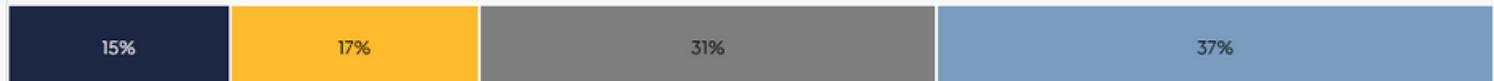
There has been a notable shift in organizations' ability to leverage macroeconomic trends. 63% of companies now say their supply chain planning (SCP) and inventory optimization processes partially enable them to capture macroeconomic advantages—up from 48% in 2023. Although fewer companies report fully leveraging these trends (down to 13% from 21% in 2023), this rise in partial integration highlights growing awareness and incremental progress. As organizations continue enhancing their SCP and inventory processes, they may not yet capture full benefits but are beginning to see meaningful advantages. This phased approach to technology adoption suggests a gradual path toward full optimization.

The market is rapidly embracing advanced technology and analytics in supply chain processes. In 2024, only 18% of companies reported no plans to integrate machine learning (ML) into their forecasting and supply chain strategies—a substantial drop from 41% in 2023. This sharp decline underscores a robust commitment to AI-driven solutions.

Additionally, the use of ML in forecasting has grown significantly, with 37% of companies now employing these techniques, up from 27% last year. Interest in advanced analytics capabilities is also rising, with 42% of organizations actively exploring these technologies, compared to 31% in 2023.

HAVE YOU TRIED USING MACHINE LEARNING TECHNIQUES WITHIN FORECASTING AND SUPPLY CHAIN PLANNING PROCESSES?

2022



2023



2024



■ Yes, and it was beneficial

■ Yes, but not sure of the value add

■ No, but want to use it

■ Currently no plans to use it

This trend reflects a widespread shift toward digital transformation, as companies increasingly recognize that ML not only enhances demand forecasting precision but also reduces inefficiencies and provides a competitive edge. The increased adoption and interest in ML and AI signal a broader movement towards innovation, positioning companies to better navigate the complexities of modern supply chain management.



CONCLUSION

The State of the Industry: Trends Shaping 2025 report highlights a growing focus on building resilient, adaptive supply chains that meet the demands of today's dynamic business environment. Organizations are proactively balancing resilience with cost control and high service levels, indicating a strategic shift towards minimizing disruptions and optimizing operations.

Companies are prioritizing accurate forecasting, industry-specific growth strategies, and the implementation of advanced technologies like AI and ML to future-proof their supply chains. As these trends evolve, organizations that invest in visibility, forecasting, and technology are positioning themselves to navigate uncertainty with greater agility and success.

Leading organizations are integrating advanced technology and best practices—such as forecast reconciliation, strategic cost management, and comprehensive inventory management tools—to achieve their objectives. Blue Ridge's supply chain planning solutions support customers in enhancing forecast accuracy, which drives profitability by optimizing inventory levels, reducing expenses, and minimizing obsolescence.

With customer needs evolving rapidly across sectors, ML-driven technologies are proving invaluable for gaining insights into shopping behaviors and preferences. Leveraging these advanced technologies enables companies to boost profitability and productivity, creating a lasting competitive edge. In times of economic uncertainty, adopting these practices allows businesses to not only meet current demands but also build a supply chain designed to maintain a competitive advantage well into the future.

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BE SUPPLY CHAIN INVINCIBLE

ABOUT BLUE RIDGE



Blue Ridge provides supply chain software that improves planning precision with an unmatched partnership so you can eliminate guesswork and maximize inventory performance. We empower distributors, manufacturers, and retailers with predictive insights and precise buying recommendations based on comprehensive details. Our software uniquely combines Demand Forecasting, Replenishment, Multi-Echelon Inventory Optimization, and Integrated Business Planning so that businesses can proactively understand the unpredictable, improve cashflow and increase profitability by optimizing spending, increasing service levels, and reducing overstock and lost sales. Our unmatched LifeLine team of industry experts enables you to accelerate software adoption and efficiencies while simplifying buying complexity. We'll stand by you so that you can be supply chain invincible. For more information, visit www.blueridgeglobal.com.



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