



# Supply Chain Trends 2025: Weathering the Storm

Thought Paper

*Supply chains have continued to face significant challenges in 2024. Persistent disruptions, an uncertain economic outlook, and ongoing cost pressures are raising expectations to adapt. Leaders must focus on five imperatives to transform their supply chains into strategic assets that can weather these difficult times.*

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## Navigating in a Demanding Environment

Since the COVID pandemic, businesses have become accustomed to a volatile and uncertain environment, which we all know as “new normal”. As a result, it is no surprise that supply chains have continued to operate in difficult conditions throughout 2024. However, the dynamics have shifted up even further compared to previous years.

- ▶ **Disruptions continue at a high level:** Supply chain turbulence and disruptions continued at a high level, be it due to geopolitical conflicts (e.g., the Red Sea shipping crisis), labor shortages and strikes (e.g., US port strikes, farmer strikes), or natural disasters (e.g., earthquakes, flooding, droughts, and hurricanes). Looking ahead to 2025, further turbulence is expected, also driven by a rise in protectionism and tariff threats to global trade.
- ▶ **Labor shortages persist:** While material shortages have largely returned to pre-COVID levels, labor and talent shortages remain a major concern for supply chains in manufacturing, logistics, and administrative work.
- ▶ **Logistics costs and freight rates remain volatile:** Freight rates and logistics costs remained volatile in 2024, with sea-freight rates peaking mid-year. Significant regional and modal differences emerged: road freight rates in Europe remained stable compared to 2023, while global ocean and airfreight rates increased during the year, especially in the Asia-Pacific (APAC) region.
- ▶ **Cost pressures stay on top of the agenda:** Inflation has clearly decreased from the 2022/23 peaks but still remains at a higher level compared to pre-COVID times. Companies continue to restructure operations to adapt to the new reality, with high expectations for driving improvements in cost and working capital.
- ▶ **Need for digital transformation remains unmet:** End-to-end (E2E) supply chain management still requires major investments in digitization and modernization, especially in core areas such as supply chain planning, partner integration, digital manufacturing, and E2E track and trace. In times when large ERP transformations draw a major share of tech budgets, key transformation needs in supply chain planning, automation, and optimization risk staying unmet.



In simpler words, supply chains could **face the perfect storm in 2025** and the years to come: navigating a chaotic environment with high levels of uncertainty, all while striving to meet ever-increasing performance expectations and bottom-line contributions. Yet, many supply chains still rely heavily on manual work and lack effective digitization and automation in core planning, steering, and control of the E2E value chain.

This dilemma is driving the supply chain trends and key strategic imperatives that will shape the decisions of supply chain leaders in 2025.

## Shifting Gears – Key Insights from Supply Chain Transformations in 2024

How well prepared are today’s supply chains to tackle the challenges ahead? What new strategies or change programs are needed to transform supply chains for the future? Based on insights from over 200 supply chain transformation projects led by Camelot this year, we share key findings on what companies are doing, which strategies are succeeding, where gaps remain, and what opportunities are untapped.

### Key Observations from Supply Chain Transformations: Successes and Remaining Challenges

	BASICS & FOUNDATION	ADVANCED SUPPLY CHAIN OPTIMIZATION
<b>WHAT WORKS WELL</b>  	<ul style="list-style-type: none"> <li>▶ <b>Dynamic, data-driven</b> end-to-end supply chain parametrization.</li> <li>▶ Pragmatic use of <b>data-driven heuristics</b> for optimization of constraint supply planning.</li> <li>▶ <b>Improved integration of supply chain planning</b> with adjacent functions like Finance and Procurement.</li> <li>▶ Transportation Management Systems (TMS) and collaboration platforms driving <b>control and transparency</b> in logistics.</li> </ul>	<ul style="list-style-type: none"> <li>▶ <b>Focused digital twins</b> for scenario modeling along the E2E supply chain (MVPs).</li> <li>▶ <b>Successful AI use cases</b> mainly in demand planning, logistics, master data cleansing.</li> <li>▶ <b>Robotics in warehouses</b> achieving new levels by enabling much more flexible automation.</li> </ul>
<b>WHAT ARE WEAK POINTS</b>  	<ul style="list-style-type: none"> <li>▶ <b>Gaps in master data quality and governance</b> hinder progress in leveraging new technologies.</li> <li>▶ Lack of <b>business perspective and user adoption</b> in IT-driven planning transformations.</li> <li>▶ Limited and cumbersome <b>integration with external partners</b> like suppliers and CMOs.</li> <li>▶ <b>Limited true end-to-end visibility</b> along the entire supply chain (from supply to distribution).</li> </ul>	<ul style="list-style-type: none"> <li>▶ Limited direct and seamless <b>integration of AI and analytics</b> into operational decision processes.</li> <li>▶ Lack of widespread <b>use of probabilistic planning</b> to best reflect uncertainty in decisions.</li> <li>▶ Limited effective quantification of <b>supply chain risks</b> and optimization of mitigation measures.</li> </ul>

**Figure 1:** Successes and key challenges of supply chain transformations

In 2024, we have seen a continuously high demand for supply chain transformations touching on all three aspects: people, process, and technology. Compared to previous years, there is a growing focus on cross-functional integration, decision automation, and driving business value, especially along these priority areas:

- ▶ Implementations of advanced planning systems (APS) put a stronger focus on integrated optimization of tactical planning, detailed scheduling, and logistics planning.
- ▶ Companies put a strong focus on improving short-term responsiveness including sales & operations execution (S&OE) and customer order fulfillment to best match short-term available supply with volatile demand in a profit-optimal way.
- ▶ Many companies take a big step and transform their entire supply chain operating models, including E2E process re-design, change of key roles, and significant upskilling efforts.

That said, we have seen many advances and success stories happen, as shown in Figure 1. In particular, supply chains make big advances in becoming more data- and parameter-driven. Focused digital twins are creating more and more value through E2E scenario modeling, and AI cases are showing real, measurable value in areas such as demand planning, logistics, and master data quality.

At the same time, some major challenges remain which require much more focus, investments, and perseverance in 2025 and the years to come. One common theme we see are persisting weaknesses in supply chain basics: in too many cases, supply chains still fail to work consequently in the system, underutilize data-driven optimization and automation, involve too many manual touchpoints instead of relying on exception-based management, and lack fully digitized interfaces with external partners. The key underlying root causes to address are often people (effectively leveraging modern decision support tools) and data (gaps in data quality and governance).

Based on this, supply chain leaders continue to face a dual challenge between present and future: fixing the basics and implementing a state-of-the-art supply chain operating model in the short- to mid-term, while investing in the future and advancing the journey towards a fully data and AI-driven, autonomous supply chain.

## Roadmap – Five Strategic Imperatives for Supply Chain Leaders in 2025

Building on the points above, which priorities or must-win battles should supply chain leaders focus on in 2025? We think it is time to step back, reflect, and address some challenging truths. While the five strategic imperatives for supply chain leaders are outlined in Figure 2, we want to share some thoughts on the underlying principles in this chapter.

### Supply Chain Trends 2025 – Five Imperatives for Supply Chain Leaders

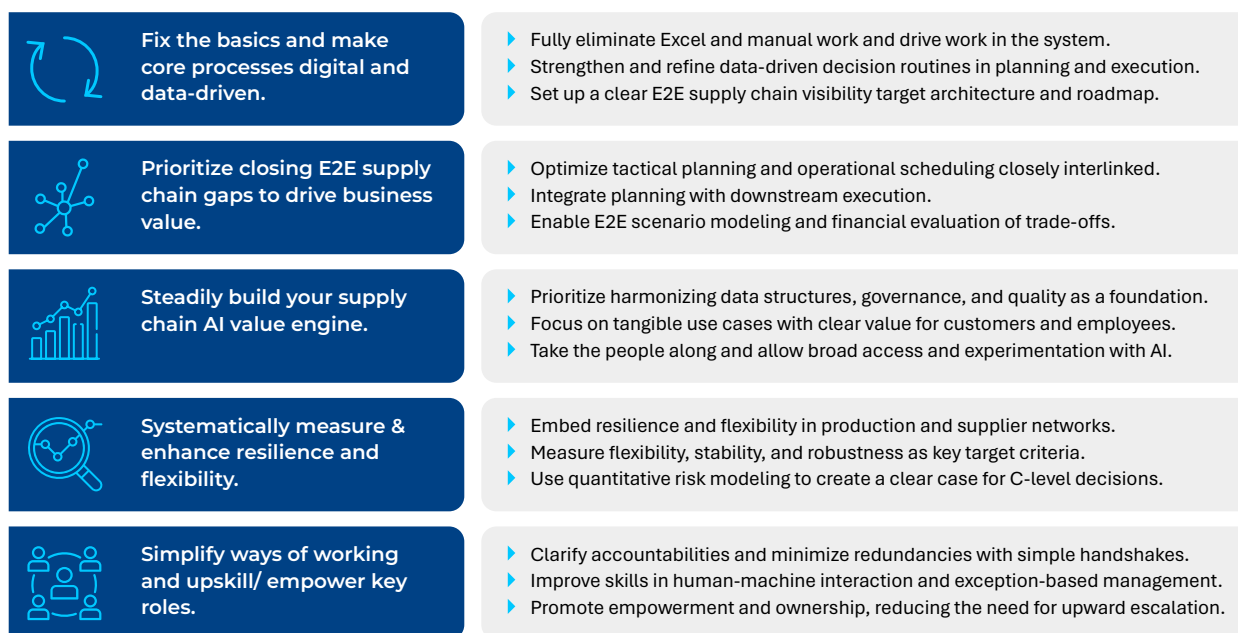


Figure 2: Five imperatives for supply chain leaders

**Time window is closing to fix the basics.** Fixing the basic issues in supply chains is not an option; it is a necessity, and an urgent one. We would argue that the time has passed when companies could operate their supply chains with slow, broken, manual processes relying on ineffective cross-functional alignment. Given the increasing cost pressure, breakneck speed of changes, and high-stakes decision-making, the margin for error for supply chain management is continuously shrinking. Supply chain leaders should prioritize upgrading and fully leveraging core systems and training their teams to understand and run data-driven decision-making processes.

**Get two value engines firing.** Modern supply chains need a clear strategy to drive value for the business. Having two value engines firing, not just one, is a prerequisite for top performance. The first value engine is end-to-end supply chain optimization, especially by closer integration of tactical and operational planning, as well as planning and execution. This reflects the fact that in strong supply chains, the value within individual processes and functions has largely been captured, and the main remaining pockets of value lie in the best horizontal and vertical alignment of decisions along the end-to-end supply chain. But equally important is the second value engine: systematically leveraging big data and AI for real-time and automated optimal decision-making on all levels. AI in supply chain needs to be run as a long game, with continuous innovation, experimentation, focused proofs of value, strong people engagement, and with the right ecosystem of external partners to challenge established ways of working.

**Truly earn a supply chain seat at the board table.** The COVID era, with its unprecedented demand and supply shocks, put the corporate spotlight on the Head of Supply Chain. Managing risks and ensuring resilience in the crisis earned supply chain a seat at the board table, and the value contribution of supply chains was crystal clear for everyone. This has somewhat faded away in today's environment with a stronger focus on sustaining growth, cost restructuring, and cash generation. Supply chain needs to truly earn a seat at the board table not only as perfect crisis manager but as integrator and orchestrator of forward-looking, end-to-end business decisions. This includes optimally configuring supply for new products and securing flawless launch performance, ensuring strong cross-functional synchronization to minimize cost and waste, and optimizing working capital while protecting service and flexibility.

### Supply Chain Roles See a Significant Shift Towards Business Integration, Proactive Resolution of Risks and Opportunities, as well as Automation and Data

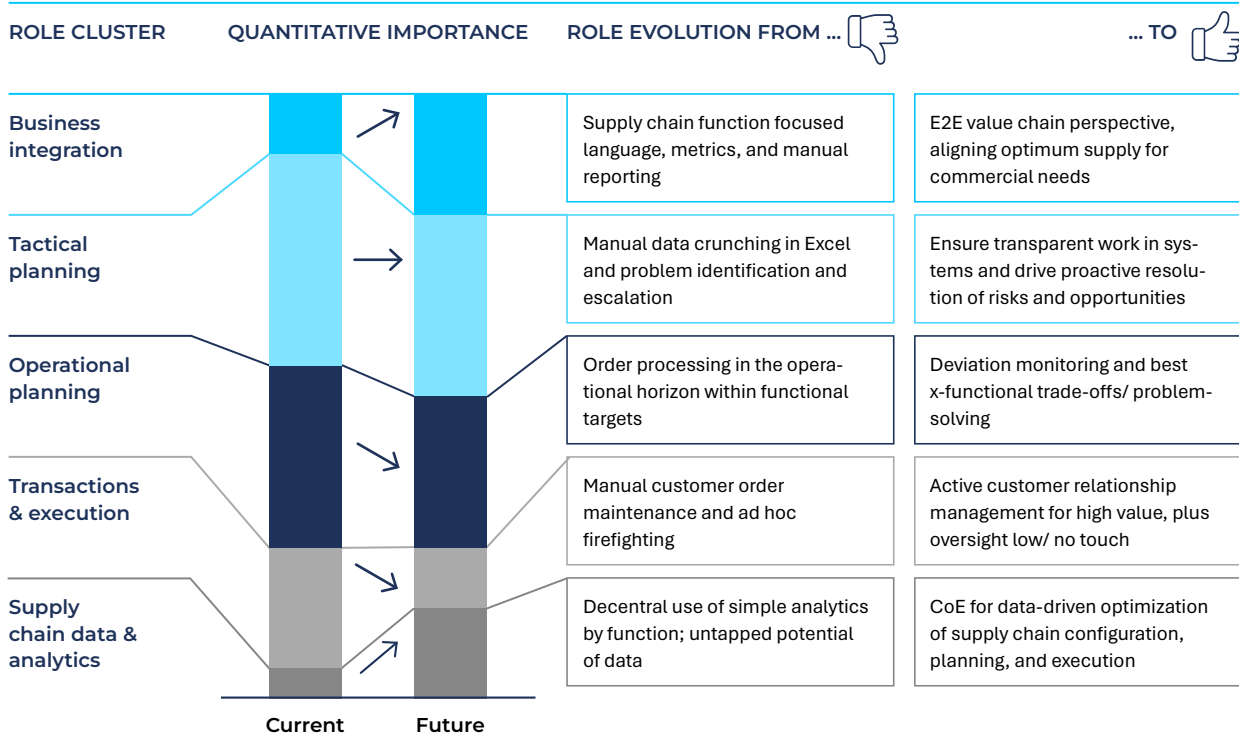


Figure 3: Significant shift in supply chain roles

**Build and nurture the best team.** As we have already outlined in last year's whitepaper "[People, Roles, and Capabilities – Transforming Supply Chain Operating Models](#)", the degree of change required from the supply chain team is extremely challenging (see Figure 3). It is absolutely critical that supply chain leaders embrace this aspect and make supply chain one of the top people and change priorities of the company, with high involvement of the Chief People Officer. Many transformative changes need to happen simultaneously: fundamental changes in key supply chain roles, broad upskilling of planning roles (reduce manual data crunching, strengthen proactive management of risks and opportunities with system support), and a shift in mindset from expert to manager or integrator are just a few examples. Supply chains need a bold people strategy and change roadmap, or else tech investments will continue to suffer from delays and weak adoption. Especially it is critical to develop a clear and positive vision of the supply chain as a source of innovation in the company, to attract and retain best talents from inside and outside.

Times will continue to be challenging, and the supply chain will remain in the corporate spotlight. Supply chain transformation is an imperative, and incremental change will not be enough to keep up. Bold thinking, vision, and role modeling is required from supply chain leaders: fully digitize ways of working, embrace data-driven decision-making, radically speed up processes, empower the team, and step up the value proposition for senior management.

We wish you a successful and prosperous year ahead as you navigate the challenges and seize the opportunities in your supply chain journey.

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