



State of Supply Chain 2025

Balancing Inflation, Investment & Innovation.

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Key Findings

The AI Transformation Story

We're seeing a fascinating shift in priorities as automation adoption declined from 40% in 2024 to 29% in 2025, while investment in **generative AI increased to 60%**. This doesn't necessarily mean companies are abandoning automation—rather, it suggests they're reconceptualizing what automation means in their technology stack.

Many organizations now view generative AI as a form of automation itself, particularly for knowledge work, planning, and decision support that traditional robotics and hardware automation couldn't address. Instead of viewing these as separate technological paths, companies appear to be integrating generative AI into their automation strategy, using it to enhance human decision-making and streamline complex planning processes that physical automation solutions couldn't tackle.

This represents a more nuanced approach to supply chain technology investments—recognizing that AI can automate cognitive work while traditional automation handles physical tasks. The shift suggests organizations are becoming more sophisticated in how they deploy technology, targeting AI investments at the planning and decision layers that drive downstream automation efforts.



Inflation Response Strategies

Inflation continues to be a primary catalyst for supply chain strategy evolution. Retailers are adopting balanced approaches—**31% pursuing operational efficiencies** and **31% implementing strategic price increases**. Private label growth has accelerated substantially, with **59% of retailers expanding these offerings** to maintain margins while providing value alternatives.

CPG manufacturers have responded defensively through increased discounting (70%) and value-tier product introductions (40%). The market has matured from reactive pricing to sophisticated inflation management strategies that protect margins while retaining customers. Technology investments are increasingly justified through their inflation-mitigation capabilities, particularly in supply chain optimization, inventory management, and predictive analytics.

Key Findings

Implementation Hurdles

The path to technological advancement is marked by distinct challenges: **44% are struggling to find qualified talent, 43% are wrestling with financial constraints, and 39% are working to ensure data quality and accessibility.** These challenges are driving innovation in unexpected ways. Organizations are developing creative solutions, from internal training programs to innovative partnership models. Some companies are finding success with hybrid approaches that combine internal expertise with external support, while others are building entirely new organizational structures to support their digital transformation efforts.

Despite strong interest in AI, automation, and predictive analytics, companies face significant barriers to adoption. While budget constraints persist, all roads lead back to AI; the need for AI expertise and good data to ensure AI effectiveness is paramount to success in generating accurate demand forecasts and optimizing inventory.

The Budget Reality

Financially, the numbers tell a story of cautious optimism: **31% of organizations taking a measured approach with 5-10% of their technology budget allocated to AI, 24% making bolder moves with 11-20% allocation, and 15% still testing the waters with less than 5%.** Behind these figures are real decisions about balancing innovation with fiscal responsibility in an uncertain economic climate. Organizations are finding creative ways to maximize their investments—from strategic partnerships to phased implementations that prioritize quick wins before larger transformations.



Executive Summary.

In 2025, we're witnessing a **convergence of AI innovation** in the supply chain industry, changing consumer behaviors, and shifting business partnerships that's transforming how organizations operate.

Executive Summary

The story that emerges is one of adaptation and resilience: retail giants racing to implement AI while smaller players search for their footing; CPG manufacturers rebuilding decades-old supplier relationships; and organizations of all sizes wrestling with the challenge of turning data into action. In an era where **59% of companies are investing in generative AI** while **43% simultaneously struggle with budget constraints**, we see the tension between innovation and practical reality playing out in real-time.

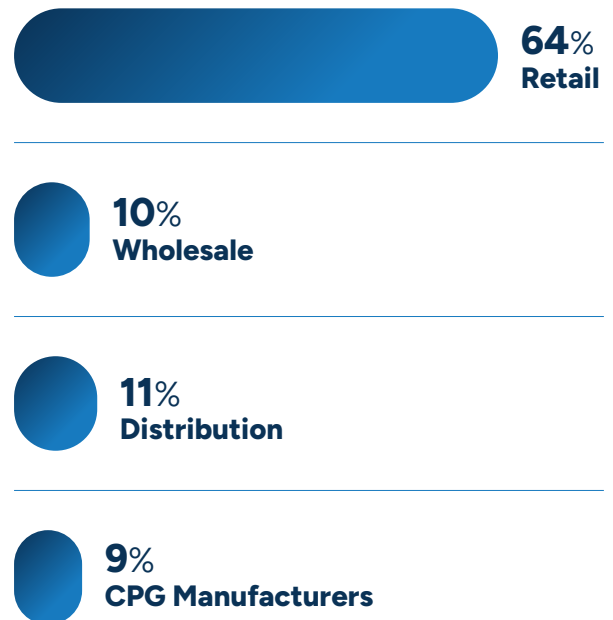
As companies adapt to persistent inflationary pressures, global disruptions, and supply chain volatility, they are prioritizing smarter decision-making and operational agility. With **47% of respondents citing global events and disruptions** as a major challenge, AI and automation are becoming essential tools for reshaping inventory management, forecasting accuracy, and supply chain resilience.

Although, adoption isn't without obstacles. Budget constraints, expertise shortages, and data quality issues continue to challenge progress in navigating an increasingly unpredictable global market landscape.



Industry Snapshot

Industry Representation:



Survey Scope:

- 519 business leaders
- 7 countries globally
- Year-over-year comparison

Technology Investment Landscape.

Technology Investment Landscape

The Race for Digital Transformation

The push toward technology adoption isn't just about keeping up — it's about survival. Organizations are recognizing that digital transformation demands a complete rethinking of processes, people, and partnerships.

Success requires more than just implementing new systems; it requires a fundamental shift in how companies operate and collaborate across the supply chain ecosystem. We surveyed 519 business leaders across retail, CPG manufacturing, and wholesale, and asked what their top technology investment priorities were over the next 3-5 years:



Companies prioritize technologies that improve resilience, meet consumer expectations, and drive operational efficiency. **With 60% of companies focusing on supply chain and inventory optimization,** investments in real-time visibility help mitigate disruptions, reduce holding costs, and ensure profitability through balanced stock levels.



E-commerce integration is also key, with **58% of companies investing in e-commerce and online sales technologies.** Seamless integration with inventory management is critical for efficient fulfillment, superior customer satisfaction, and to support omnichannel growth.



Data-driven decision-making drives growth, with **43% of companies prioritizing data and analytics-driven decision-making.** Tapping into predictive insights improves demand forecasting, operational efficiency, and competitive advantage in dynamic market conditions.

The Implementation Journey

The path to technological advancement is marked by distinct challenges:

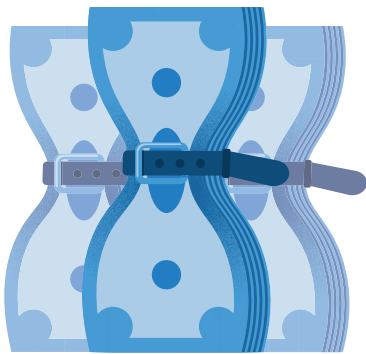
44%

Struggling to find qualified talent



43%

Wrestling with budget constraints



39%

Working to ensure data quality



These challenges are driving innovation in unexpected ways. Organizations are developing creative solutions, from internal training programs to innovative partnership models. Some companies are finding success with hybrid approaches that combine internal expertise with external support, while others are building entirely new organizational structures to support their digital transformation efforts.

Technology Investment Landscape

Despite consistent investment interest, budget constraints have remained a top challenge year-over-year, cited by **48% of respondents in 2024 and 47% in 2025.**

This persistent financial hurdle underscores the need for creative approaches to technology implementation that maximize ROI while minimizing upfront investment.



48%

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2024



47%

The infographic features a light blue circle containing the text '47%' in a large, bold, dark blue font. A thick, dark blue curved line arches over the top and right sides of the circle. The background of the page includes abstract blue shapes and a grid of small blue circles on the right side.

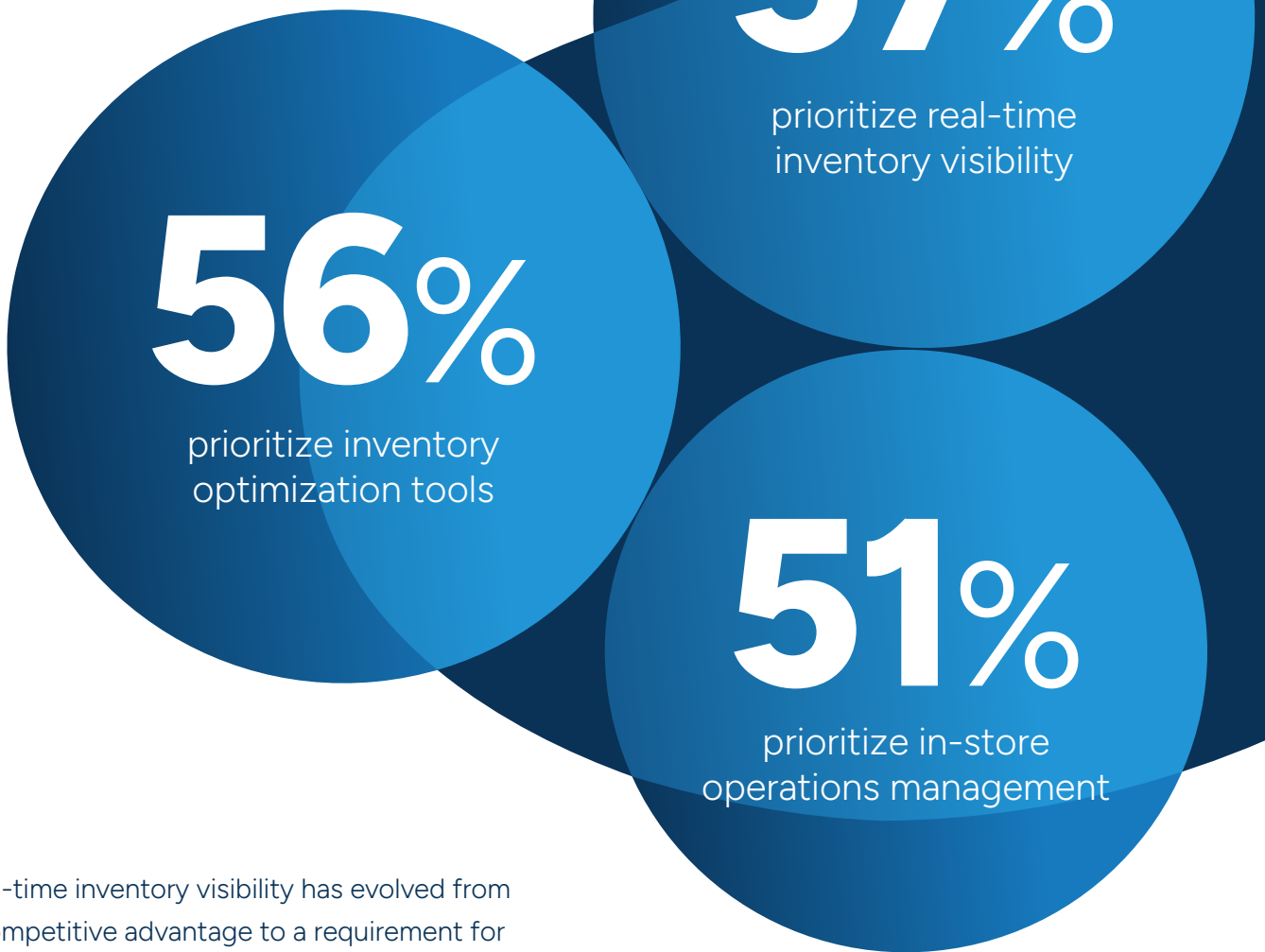
2025

Retail Operations Evolution.

Retail operations in 2025 are transforming as organizations adapt to evolving consumer expectations and increasingly complex omnichannel environments. Retailers are **prioritizing visibility, resilience, and strategic private** label development to maintain competitive advantage in a rapidly changing marketplace.

The Visibility Imperative

The story of retail operations in 2025 is one of unprecedented transparency. We asked retailers what solutions they prioritize in order to best manage inventory and consumer demand. The top three solutions prioritized include:



Real-time inventory visibility has evolved from a competitive advantage to a requirement for survival in today's retail landscape. The ability to know exactly what's available, where it's located, and when it can be delivered is essential for meeting consumer expectations across all channels.

This transformation is particularly evident in how retailers are investing in technology that enables them to track inventory with precision and make data-driven decisions that optimize their operations.

The Volatility Challenge

Retailers are facing unprecedented levels of unpredictability in their supply chain operations. Our research reveals a concerning picture of growing instability that demands immediate strategic attention:

Consumer demand volatility



Consumer demand volatility emerged as the most significant challenge, forcing retailers to constantly rethink inventory strategies as shifting consumer spending habits continue to disrupt traditional supply chain planning. This unpredictability makes forecasting increasingly difficult and puts pressure on inventory management systems.

Global events and disruptions



Global events and disruptions ranked as the second most critical concern, with rising trade tensions, tariff volatility, and geopolitical instability creating sourcing bottlenecks and driving up costs across international supply networks. These macro-level disruptions are compelling companies to rethink their global sourcing strategies.

Lack of real-time data and visibility



Lack of real-time data and visibility continues to hamper retailers' ability to respond effectively to market changes, making it difficult to adapt quickly to sudden shifts in demand, labor shortages, and transportation delays. Without comprehensive visibility, companies struggle to make informed decisions when they matter most.

The Resilience Blueprint

Organizations are rewriting the rules of supply chain stability, building networks that can adapt to disruptions while maintaining cost-effective operations. This balance is evident in how companies approach inventory management, with many adopting hybrid models that combine just-in-time efficiency with strategic buffers in critical areas. The top resilience measures retailers are taking include:



52%

are strengthening collaboration with logistics partners

50%

are diversifying supplier bases to reduce risk

43%

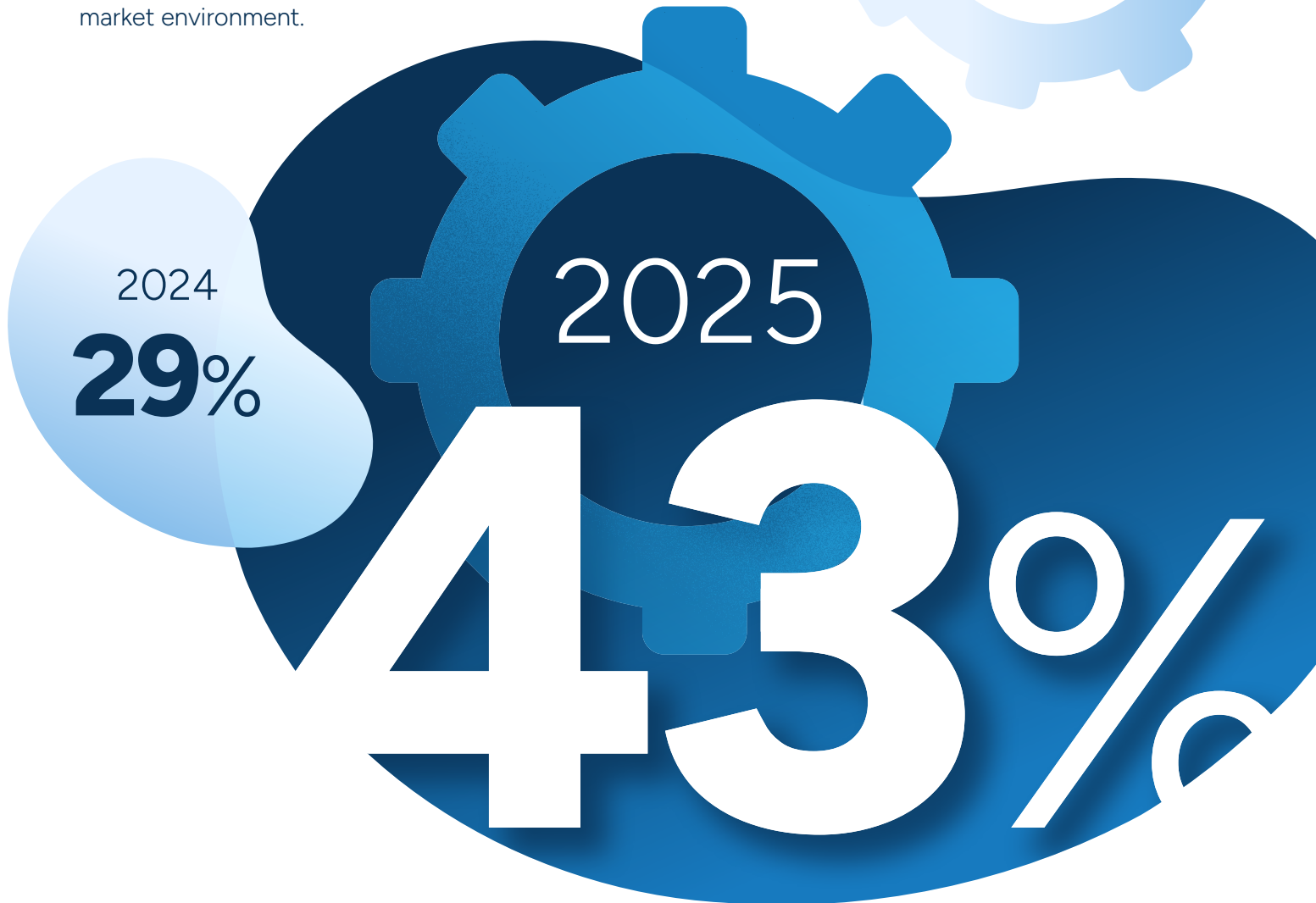
are building strategic inventory buffers while maintaining efficiency

A significant increase from just 29% in 2024.



Retail Operations Evolution

A substantial **14% year-over-year increase** in safety stock investment reflects growing concerns about supply chain volatility and a strategic shift toward resilience over lean inventory practices in today's uncertain market environment.



The most successful organizations are those that have found ways to build resilience without sacrificing efficiency. They're creating flexible networks that can adapt to disruptions while maintaining cost-effective operations. This balance is particularly evident in how companies are approaching inventory management, with many adopting hybrid

models that combine just-in-time efficiency with strategic buffers in critical areas.

Compared to 2024, companies are placing even greater emphasis on proactive inventory management and supplier flexibility to mitigate risks.

Retail Operations Evolution

The Private Label Revolution

Retailers are leveraging private labels as a dual strategy to manage costs and retain consumers in a competitive, inflationary market. Retailers' goals of extending private label offerings are focused on:

59%

are focused on increasing profit margins



57%

are focused on enhancing customer loyalty



55%

are focused on ways to decrease consumer cost



The evolution of private labels reveals that retailers are taking greater control of their destiny. These brands have become powerful tools for differentiation, margin improvement, and customer loyalty.

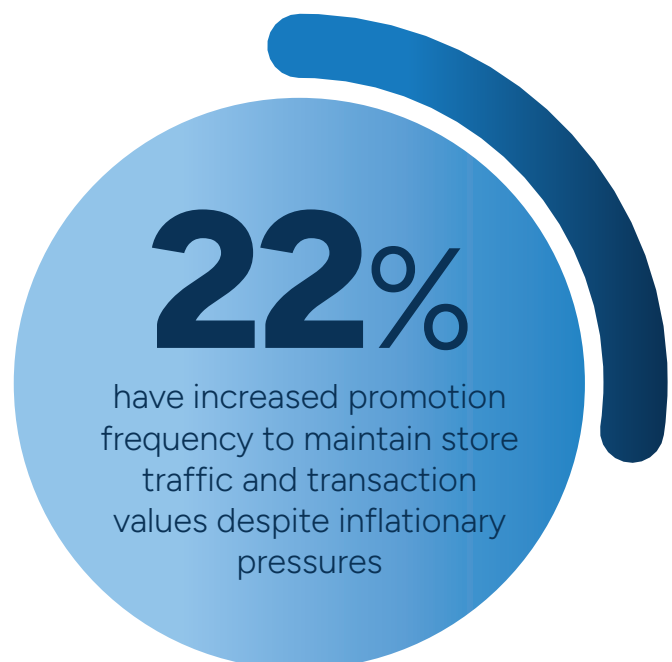
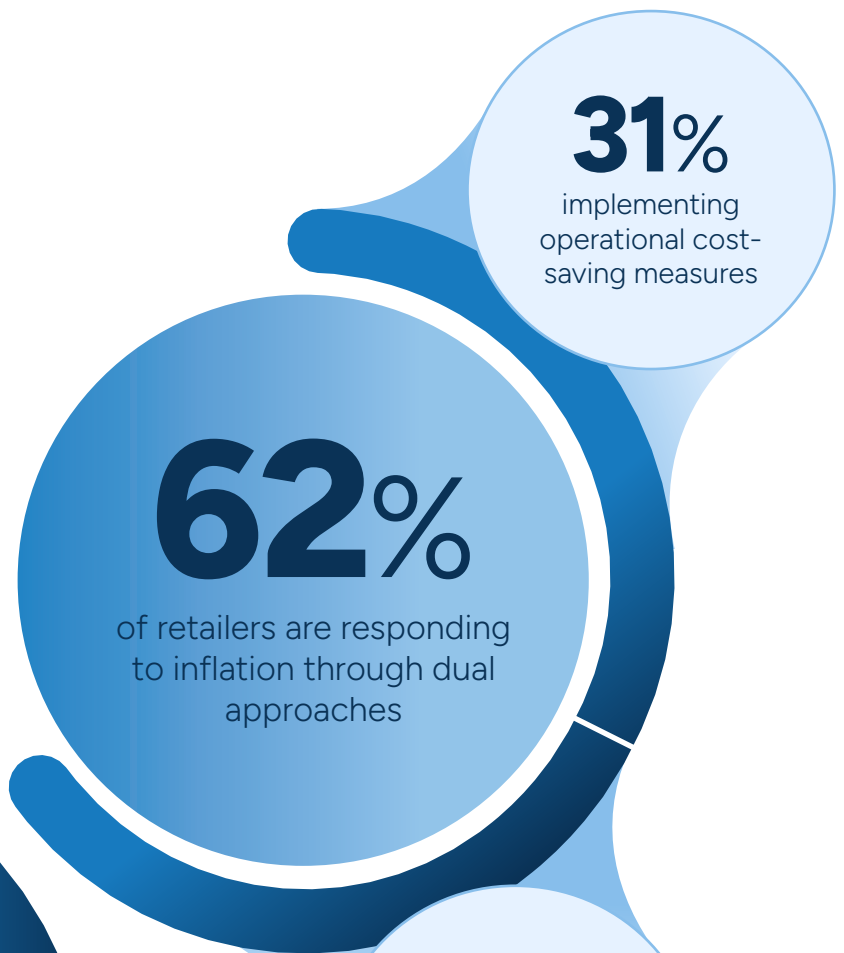
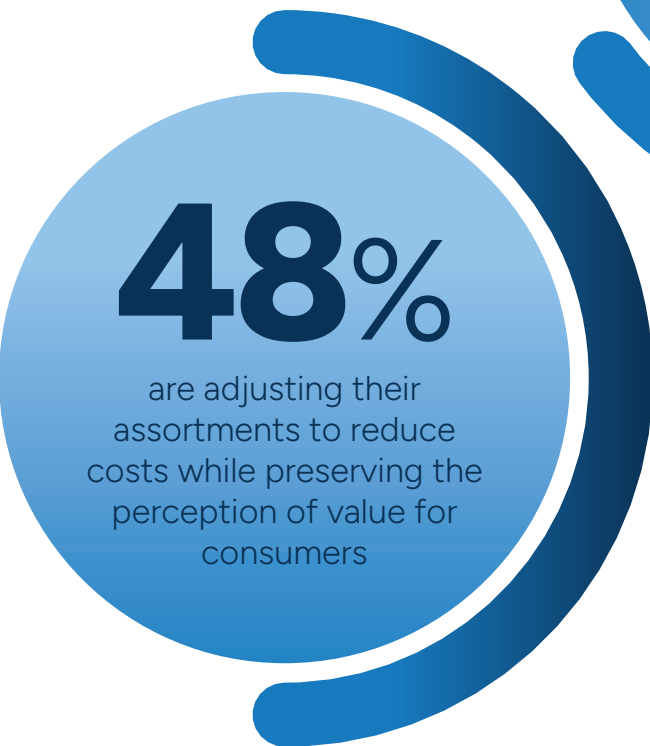
This shift is forcing traditional brands to rethink their value proposition and relationship with retailers. As private label quality continues to improve and consumer perception shifts, the competitive landscape between national brands and store brands is shifting.

59% of retailers are driving private label initiatives to capture higher margins by reducing reliance on branded suppliers. 57% see private labels as a way to build loyalty by offering exclusive, affordable options tailored to customer preferences. Compared to 2024, private label expansion and discounting have intensified as key strategies to navigate inflation.

Retail Operations Evolution

Responding to Inflation and Rising Costs

Retailers across all segments are actively implementing defensive and strategic measures to combat inflation while maintaining competitiveness:



Private label initiatives have accelerated specifically as an inflation response strategy, with retailers leveraging their own brands to offer better value while maintaining margins. The inflationary environment has created both challenges and opportunities, pushing retailers to become more innovative in their approach to pricing, promotion, and product assortment management.

Manufacturing Strategy Adaptation.

CPG manufacturing companies are orchestrating a delicate balance between cost management and innovation while navigating volatile consumer demand and evolving retail partnerships. This navigation requires building more **integrated** and **agile supply chain planning** capabilities, while **overcoming complex legacy constraints** and **organizational silos**.

Manufacturing Strategy Adaptation

The Cost Management Evolution

When it comes to addressing rising raw material costs, the top cost management strategies CPG manufacturers are prioritizing include:

Raw Material Cost Management



Manufacturing companies are finding themselves in a complex dance, balancing the need to maintain quality and brand value while adapting to new market realities. The most successful are those who have found ways to turn these challenges into opportunities for innovation.

Inventory Management Approaches



Manufacturing Strategy Adaptation

Pricing & Promotion Adaptations



Beyond costs, this is about rethinking how products get from concept to consumer. Manufacturing companies are finding themselves in a complex dance, balancing the need to maintain quality and brand value while adapting to new market realities. The most successful are those who have found ways to turn these challenges into opportunities for innovation.

The rise of direct-to-consumer initiatives is adding another layer of complexity, with 30% of companies reporting significant changes in their assortment and pricing strategies. This shift is forcing manufacturing companies to become more agile and consumer-centric than ever before.

CPG manufacturers' approach to cost pressures shows 35% using demand-driven forecasting to optimize inventory, 30% maintaining lean inventory but increasing safety stock when necessary, and 45% citing supply variability as a major challenge affecting production and fulfillment. For pricing and promotions adjustments, 70% increase discounts and 40% introduce value-tier product lines to compete with private labels.

Navigating Inflationary Pressures

Similar to retailers, CPG manufacturers are tackling the rise of private label brands by adjusting their own pricing strategies:

70%

have increased trade promotions and discount strategies to remain competitive

40%

have introduced new value-tier product lines specifically designed to compete in more price-sensitive segments

65%

are expanding supplier networks to address rising and volatile input costs and to mitigate inflation

45%

cite supply variability as a significant challenge directly impacting production planning and fulfillment capabilities

CPG manufacturers are increasingly adopting a dual approach—protecting margins through operational efficiency while simultaneously maintaining market share through strategic pricing and product portfolio adjustments. Compared to 2024, there has been a notable shift toward more sophisticated and targeted inflation responses rather than broad-based price increases.

The Inventory Innovation Story

In response to high inflation, rising interest rates, and recession concerns, CPG manufacturers are rewriting their inventory playbooks:

Demand Signal
Monitoring

35%

Carefully monitoring signals and optimizing inventory turns

Lean Practices

30%

Maintaining lean inventory practices despite volatility

Safety Stock

25%

Building strategic safety stock levels in key areas

Companies are blending traditional inventory management principles with new technologies and approaches. The old debate between just-in-time and just-in-case is giving way to more nuanced, data-driven strategies that can adapt to different products, markets, and circumstances.

Industry Collaboration and Social Media Impact.

The Collaboration Challenge

In 2025, effective collaboration between supply chain partners has become a critical competitive advantage, while the influence of social media on demand patterns has only continued to increase. Organizations that excel at both collaborative relationships and digital responsiveness are positioning themselves for success in an increasingly unpredictable market environment.

1 **53%**

Lost sales and revenue opportunities

2 **52%**

Increased operational costs

3 **47%**

Experienced frequent stockouts and overstock situations

Key challenges include lack of real-time data sharing, disconnected planning processes, and misaligned inventory strategies.



The real story here is how companies are learning to collaborate in new ways. Traditional buyer-supplier relationships are evolving into strategic partnerships, with technology playing a crucial role in facilitating these deeper connections. The most successful organizations are those that have found ways to share data and insights while maintaining their competitive advantages.

The Social Media Effect

The digital conversation is reshaping demand patterns. In the past 12-24 months, the aspects of social media that have influenced respondents' product demand fluctuations include the following:

Paid Social Media Advertising

20%

reporting major shifts,
35% noting clear effects

Viral Trends

14%

reporting major shifts,
21% noting clear effects

Influencer Endorsements

12%

reporting major shifts,
30% noting clear effects

This goes beyond simply monitoring social media to rethinking how products are marketed, stocked, and distributed. Companies are learning to build supply chain agility that can respond to viral trends and sudden demand spikes. The integration of social listening tools with inventory management systems is becoming a crucial capability, particularly for companies targeting younger consumers.

Methodology.

Methodology

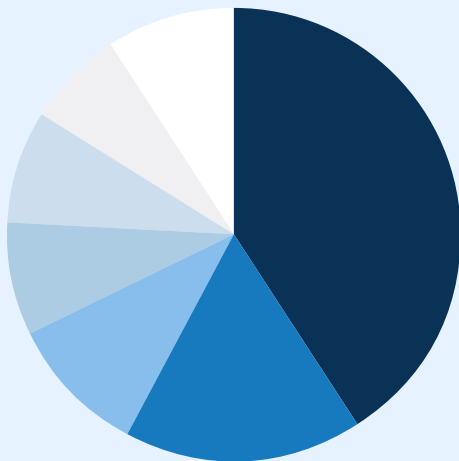
What makes this research particularly valuable is its timing – capturing organizations at a crucial moment of transformation, as they navigate the intersection of technological innovation, changing consumer behaviors, and evolving business models. The stories and insights gathered here provide not just a snapshot of where the industry stands today, but valuable clues about where it's heading tomorrow.

The findings presented in this report are based on a comprehensive online survey conducted in January 2025, gathering insights from 519 business leaders across the consumer packaged goods (CPG)/manufacturing, retail/wholesale, and distribution sectors. This represents the second annual iteration of our supply chain study, enabling year-over-year comparisons with our previous research conducted in January/February 2024.

Respondent Demographics

The study captured perspectives from seven countries, providing a global view of supply chain dynamics:

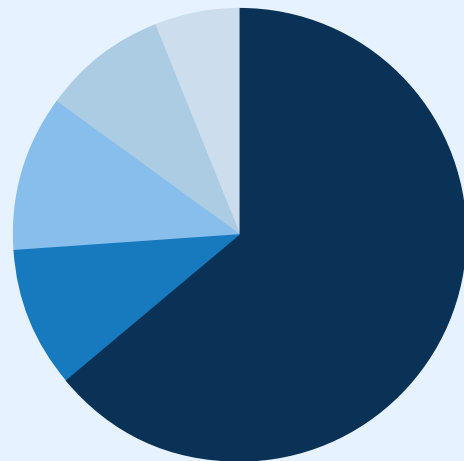
- United States (41%)
- Brazil (17%)
- Germany (10%)
- Australia (8%)
- United Kingdom (8%)
- France (7%)
- New Zealand (9%)



Industry Representation

Respondents came from diverse industry sectors:

- Retail (64%)
- Wholesale (10%)
- Distribution (11%)
- CPG Manufacturers (9%)
- Other (6%)

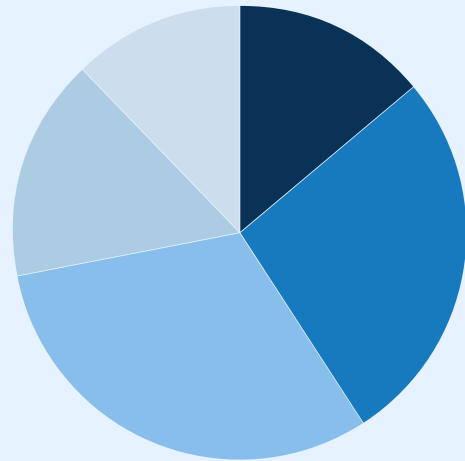


Company Profiles

Annual Revenue

Participating organizations represented a broad spectrum of revenue scales:

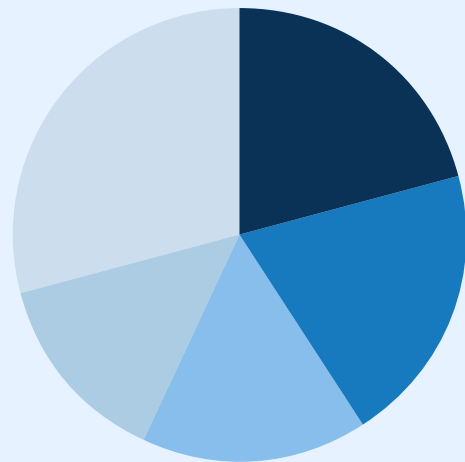
- Less than \$1 million (14%)
- \$1 million to less than \$10 million (27%)
- \$10 million to less than \$100 million (31%)
- \$100 million to less than \$1 billion (16%)
- \$1 billion or more (12%)



Employee Size

The study included organizations of varying sizes:

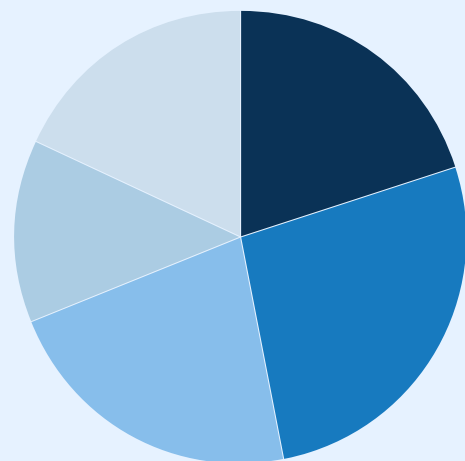
- Less than 50 employees (21%)
- 50-200 employees (20%)
- 201-500 employees (16%)
- 501-1,000 employees (14%)
- Over 1,000 employees (29%)



Operational Scope

Companies varied in their operational footprint:

- Single Location (20%)
- 2-5 Locations (27%)
- 6-20 Locations (22%)
- 21-100 Locations (13%)
- Over 100 Locations (18%)





About RELEX Solutions

RELEX Solutions delivers a unified platform for retail, manufacturing, and supply chain planning, enabled by proven AI technology. We help retailers, manufacturers, and consumer goods companies optimize demand forecasting, replenishment, merchandising, pricing and promotions, supply chain operations, and production planning across the end-to-end value chain. Companies like ADUSA, AutoZone, Coles, Circle K, Dollar Tree and Family Dollar, M&S Food, PetSmart, Rituals, The Home Depot, and Systemair trust RELEX to increase product availability, boost sales, deliver actionable insights, improve sustainability, and drive profitable

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