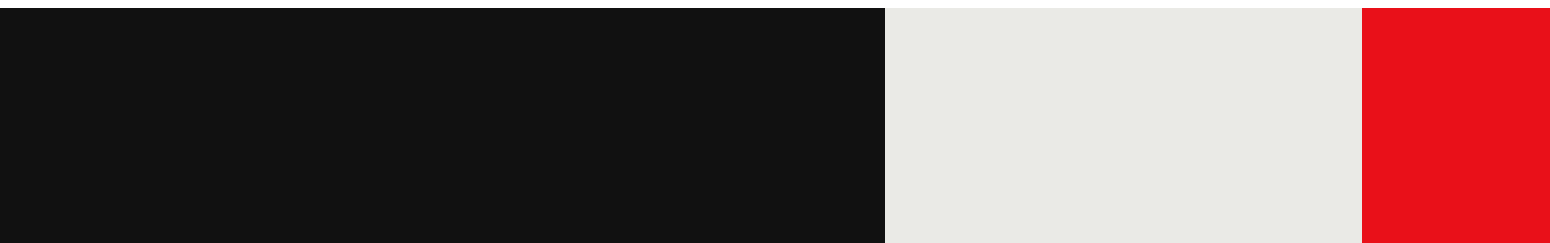



# Companies are taking decisive steps to shore up their supply chains

Article



**The trend:** Amid high freight costs, labor challenges, and material shortages, companies including **Kraft Heinz**, **Amazon**, and **UPS** are introducing automation, digitization, and other innovative technologies to their supply chain operations as they seek to avoid logistical crunches.

**What they're doing:**

- Kraft Heinz is working with **Microsoft** to **optimize and get real-time insights into its supply chain**, enabling it to anticipate consumer demand as well as avoid potential logistical hiccups.
- Amazon **launched** a **\$1.0 billion** Industrial Innovation Fund with the aim of investing in companies that “incrementally increase delivery speed and further improve the experience of employees working in warehousing and logistics fields,” per a press release.
- UPS is **adding radio-frequency identification (RFID) tags to packages at 100 facilities**, eliminating the need for employees to manually scan items loaded into trucks and reducing the likelihood of missorts, CEO **Carol Tomé** announced on the company’s latest earnings call.

**A tech upgrade:** As the past several years have shown, most companies’ supply chains are extraordinarily delicate and ill-equipped to handle even the slightest setback. That’s led many to take a digital-first approach to modernizing their operations by utilizing cloud computing, predictive analytics, and automation.

- As part of its partnership with Microsoft, Kraft Heinz is using Azure to build a “Supply Chain Control Tower” that **provides real-time oversight of its factory operations and automates supply chain distribution across all product lines**.
- The CPG giant is also creating “digital twins” for all 34 of its North American factories to test ways to maximize productivity, minimize interruptions, and identify potential snags.
- **Stord**, a supply chain platform that helps companies manage and scale their logistics operations on the cloud, recently raised **\$120 million**, bringing the company’s total valuation to **\$1.3 billion**, per a press release.

## Key Business Drivers of AI Strategy at Their Organization According to US Decision-Makers, by Industry, Dec 2021

% of respondents

	1	2	3	4	5	6
Innovation/product development	52%	67%	63%	63%	63%	60%
Scaling more quickly	62%	53%	39%	37%	37%	48%
Competitive advantage	67%	47%	41%	47%	41%	47%
Risk management	67%	56%	46%	35%	44%	47%
Large volumes of data	52%	50%	46%	44%	30%	46%
Supply chain management	38%	53%	49%	44%	26%	43%
Technology	62%	56%	27%	44%	26%	40%
Customer needs	38%	44%	37%	35%	33%	39%
Cost savings	48%	31%	39%	21%	44%	34%
CIO/CEO/board	29%	33%	46%	30%	15%	33%

Source: LXT, "The Path to AI Maturity" conducted by Reputation Leaders, Feb 22, 2022

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**On the other hand:** Not all companies are taking a tech-forward approach to supply chain optimization.

- Spice brand **McCormick** has **expanded its sourcing network to 85 countries** to avoid being caught out by extreme weather and bad harvests. This strategy has also mitigated the impact of the war in Ukraine on its business, the company's VP of global strategic procurement, **Brant Matthews**, told Supply Chain Dive.
- A 2021 survey by BDO found that **50%** of middle-market manufacturers planned to find backup or alternative suppliers, almost as many as those that said they planned to invest in supply chain technology (**52%**).

**The big takeaway:** Supply chain modernization is a risky undertaking, especially since companies need to keep everything running smoothly even as they onboard new technologies and processes.

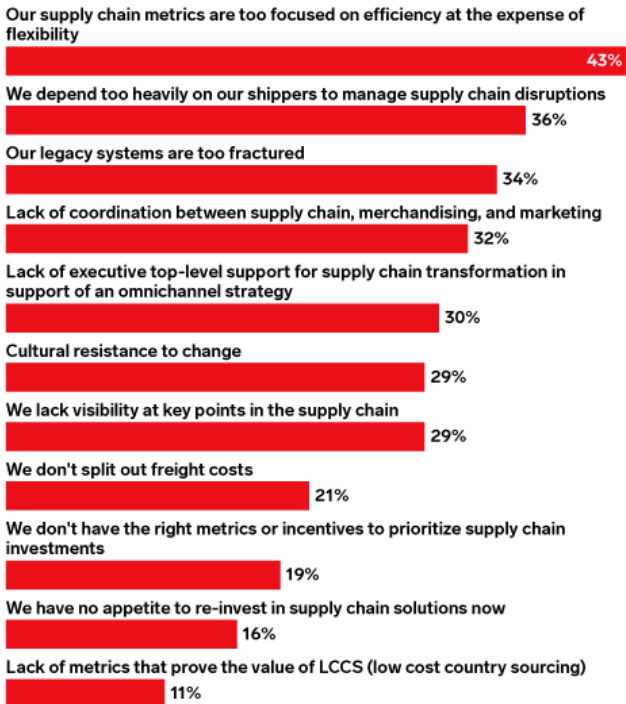
- **J&J Snack Foods** lost **\$20 million** in revenues due to difficulties transitioning to a new enterprise resource planning system, CEO **Daniel Fachner** said on the company's earnings call.
- That said, companies that don't take steps to make their supply chains more flexible and improve coordination between the various moving parts will find it increasingly difficult to keep up with consumer demand.

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## Leading Inhibitors that Prevent Retailers Worldwide From Having a More Effective Supply Chain, Aug 2021

% of respondents

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Source: Retail Systems Research (RSR), "Retail Supply Chain: Navigating Through Rough Waters With Improved Agility" sponsored by Blue Yonder, Nov 2, 2021

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