

PROLOGIS' 2025

Supply Chain Outlook Report



Introducing Prologis' 2025 Supply Chain Outlook Report

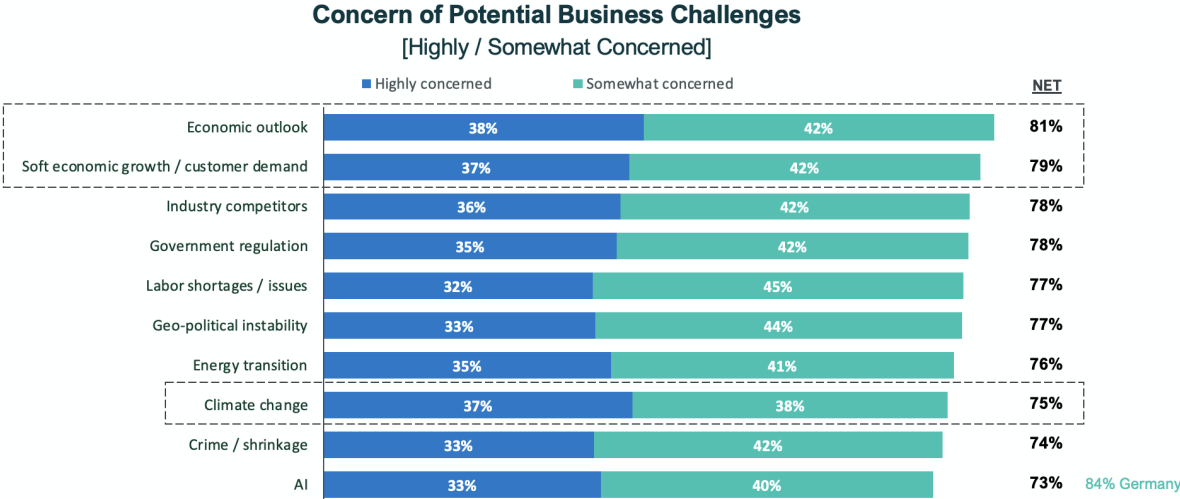
Prologis proudly presents the findings of the 2025 Supply Chain Outlook report, a comprehensive study commissioned to capture the evolving mindsets, pressing concerns, and strategic preferences of business executives related to supply chain management.

This survey was conducted by The Harris Poll on behalf of Prologis from September 4th to 19th, 2024, among a sample of 1,025 business executives who play pivotal roles in their organizations. The study includes insights from 508 U.S. executives, 263 U.K. executives, and 254 German executives, offering a diverse international perspective on the challenges and opportunities shaping supply chain management today and in the future. The survey includes respondents from companies with over 250 employees, and a third of participants work at organizations with annual revenues exceeding \$2 billion.

This report aims to give stakeholders a deeper understanding of how global business leaders navigate complex supply chain dynamics amidst unprecedented times. The insights gathered offer a valuable benchmark for strategic planning, helping organizations align their operations with the best practices and anticipations of top-tier executives worldwide.

Executive's Leading Through A Polycrisis

Overview of Challenges: As the calendar turns towards 2025, Prologis' 2025 Supply Chain Outlook report finds business executives across various sectors are bracing for what is described as a 'polycrisis' of challenges. Key concerns include the unpredictability of economic conditions, a discernible decline in customer demand, and the urgent pressures of climate change. These issues collectively paint a picture of a storm that demands resilience and strategic foresight.

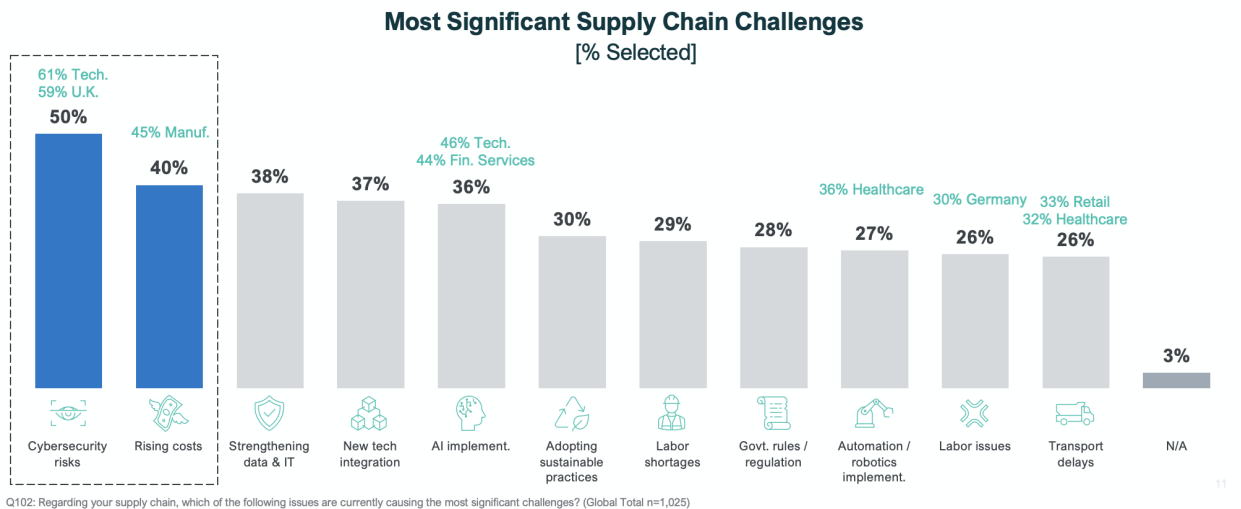


Implications: In response to these turbulent times, companies are compelled to reevaluate and potentially overhaul their business strategies to not only weather these storms but also to capitalize on potential opportunities that arise from such disruptions. Strategic adaptability and robust contingency planning will be crucial for maintaining competitive advantage and business continuity.

Sleepless Nights: Executives Worry Over Growing Supply Chain Pressures

Supply Chain Concerns: The supply chain, often the backbone of any business, is under significant strain. Two-thirds of executives are so concerned that it's affecting their sleep, particularly those in finance and healthcare. Cybersecurity emerges as a looming threat, with tech executives expressing heightened anxiety. Furthermore, escalating costs continue to squeeze already tight margins.

- Two-thirds of executives, particularly in finance and healthcare, are losing sleep over supply chain issues.
- [Economic Fluctuations and Digital Threats: The Double Whammy Hitting Supply Chains:](#) Cybersecurity risks and rising costs are significant concerns, particularly noted by 61% of tech executives.



Implications: There is a crucial need for robust and secure supply chain solutions that can adapt to both economic fluctuations and increasing digital threats.

The development of resilient and secure supply chain networks will be paramount to manage risks and safeguard assets against the backdrop of these growing pressures.

Navigating the New Normal: How Regulations and Geopolitics Are Reshaping Supply Chains

Impact of Regulations and Geo-Politics: In an era of rapid regulatory changes and geopolitical instability, 85% of executives report that such factors are accelerating their shift towards sustainable supply chain solutions. Furthermore, 86% acknowledge that these external pressures dictate crucial decisions about manufacturing locales and logistics frameworks.

- **85% of Executives Pivot Towards Sustainability Under Regulatory Pressure**
 - 85% of executives report, "Regulatory pressures are speeding up my organization's progress toward implementing sustainable supply chain solutions."
- 86% report that economic and geopolitical pressures influence decisions regarding manufacturing and storage locations.

Implications: Businesses must forge partnerships with agile and forward-looking firms that excel in navigating the complex tapestry of global regulations and geopolitical shifts. These collaborations can provide crucial foresight and agility, enabling businesses to remain proactive rather than reactive in their strategic planning.

Bridging the Gap: The Challenge of Aligning Supply Chain Investments with Strategic Goals

Challenges in Supply Chain Investments: Navigating the complex landscape of supply chain investments presents growing challenges, with 70% of executives reporting difficulties in identifying rewarding investment opportunities. Many investments in areas like automation, sustainability, and AI have not yet achieved their strategic objectives. This gap between expectations and outcomes is not unique to supply chains; it reflects broader market uncertainties that have caused many business strategies to fall short of their goals. Ninaad Acharya, Cofounder and CEO of Fulfillment IQ, offers a hopeful perspective for the near future. He suggests that 2025 may be a turning point, predicting that supply chain initiatives will begin to yield the anticipated returns, aligning more closely with executive expectations.

- 70% of executives find it difficult to pinpoint where to allocate supply chain investments for maximum returns.

- Significant portions of executives report dissatisfaction with their current automation (74%), sustainability (72%), and AI (72%) supply chain initiatives.



Implications: There is a pressing need for tailored, insightful solutions that assist businesses in discerning the most impactful investments. Providing executives with more precise insights into the potential returns and strategic benefits of these investments will be key to enhancing decision-making and optimizing resource allocation.

In the future, AI will help identify more customized solutions for particular business needs. In the meantime, companies should work with partners who have cutting-edge expertise across automation, sustainability, and intelligent data to provide personalized guidance.

Executives Eye More Funds for Sustainability Once Economic Pressures Ease

Challenges with Energy Transition: The transition to sustainable energy sources is fraught with challenges. While a strong majority of executives feel compelled to accelerate this transition, they face obstacles such as unclear returns on investment, complex implementation processes, and significant disruption risks.

- **Energy Shifts: 71% of Executives Feel Urged to Accelerate Sustainable Transition**
 - 71% of executives report, "I am under pressure to transition energy sources.", especially those in healthcare (84%)
- 79% of executives report, "The pace at which we're transitioning to alternative energy sources feels too slow for me; I believe we will need to speed up in the next 24 months."
- Executives turn to sustainability in the supply chain to strengthen their brand reputation, achieve ESG targets, and meet consumer expectations. Also, it's worth noting that nearly **ALL executives** care that their organization achieves its long-term sustainability goals.

Top motivators behind integrating sustainable practices

88%
EXECUTIVES

"I care if my organization achieves its long-term sustainability goals."

75% of executives report climate change as a business concern headed into 2025.

#1	Improving brand reputation	34%	42% Fin. Services
#2	Achieving ESG goals	29%	40% U.K.
#3	Meeting consumer expectations	29%	
#4	Reducing carbon footprint	27%	
#5	Prioritizing cleaner energy	27%	
#6	Attracting / retaining investors	25%	
#7	Attracting / retaining employees	23%	28% Manuf., 27% Technology
#8	Federal compliance	20%	25% Healthcare
#9	State / provincial compliance	20%	27% Healthcare
#10	Lowering utility / compliancy costs	19%	
#11	Community interest / pressure	18%	23% Germany
#12	Municipal / local compliance	17%	

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- **Waiting for the storm to end:** 87% of executives report, "Once fiscal constraints ease, we plan to dedicate more capital to sustainable supply chain initiatives."
- The top challenges preventing executives from investing are unclear ROI, implementation complexity, and disruption risks present as top challenges impeding supply chain progress
 - 80% of executives report, "The unclear ROI makes investing in sustainable supply chain solutions challenging."
 - Nearly a third (32%) of healthcare executives say internal misalignment is preventing their organization from adapting sustainable supply chain solutions.

Implications: Executives need partners who can demystify and streamline the sustainability journey will be invaluable. These partners should help clarify the financial and operational impacts of sustainable practices, enabling businesses to transition more smoothly and rapidly while mitigating potential disruptions.

The Growing Importance of Green Real Estate in Global Supply Chains

Importance of Green Real Estate: The integration of green real estate solutions is increasingly recognized as a cornerstone of sustainable supply chain management. A vast majority of executives view these solutions as crucial not only for environmental benefits but also for long-term business viability.

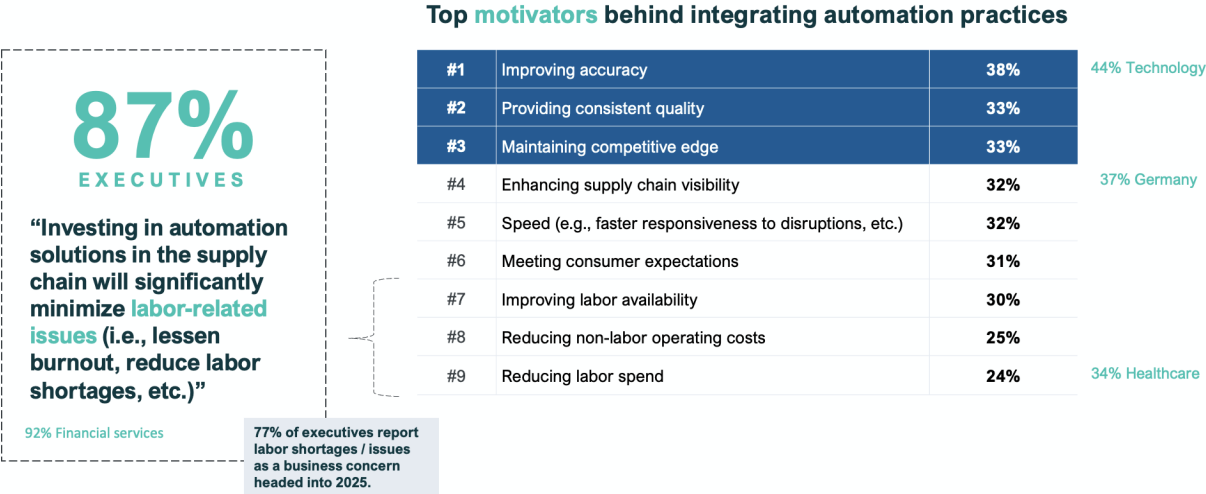
- 87% of executives "Adopting green real-estate solutions is essential for sustainable supply chain solutions."
- 85% of executives "The transition to green real-estate supply chain solutions is critical for my business."

Implications: Effective management of the real estate components within supply chains is essential. Companies must engage with partners who are not only supply chain experts but also proficient in sustainable real estate management to ensure comprehensive and integrated sustainability strategies.

Investing in Automation: A Strategy to Overcome Labor Shortages and Boost Efficiency

Automation to Address Labor Concerns: With the dual pressures of labor shortages and the need for operational efficiency, automation is seen as a critical solution. It promises to enhance productivity, reduce errors, and alleviate workforce challenges by mitigating burnout and addressing labor shortages head-on.

- 77% of executives report labor shortages / issues as a business concern heading into 2025.
- 87% of executives report, “Investing in automation solutions in the supply chain will significantly minimize labor-related issues (i.e., lessen burnout, reduce labor shortages, etc.)”



Implications: The journey from automation aspiration to actual implementation requires bridging significant gaps, particularly in areas related to security, technological updates, and budget constraints. Strategic investments in automation can transform operational capabilities, providing a clear competitive edge in the market.

Internal and External Pressures Ramp Up AI Adoption in Supply Chain Management

AI Adoption and Pressures: The competitive pressures both externally and internally are driving a rapid adoption of AI within supply chains. Executives are increasingly seeing AI as essential for maintaining a competitive edge, necessitated by its potential to enhance efficiency and decision-making accuracy.

- 80% of executives feel external pressure to adopt AI for competitive advantage.
- **Manufacturing Leads the Charge with 92% of Executives Pushing for AI Solutions**
 - 84% of executives say, “Internal pressures are speeding up my organization's progress toward experimenting and adapting to AI supply chain solutions.”, especially in manufacturing (92%).



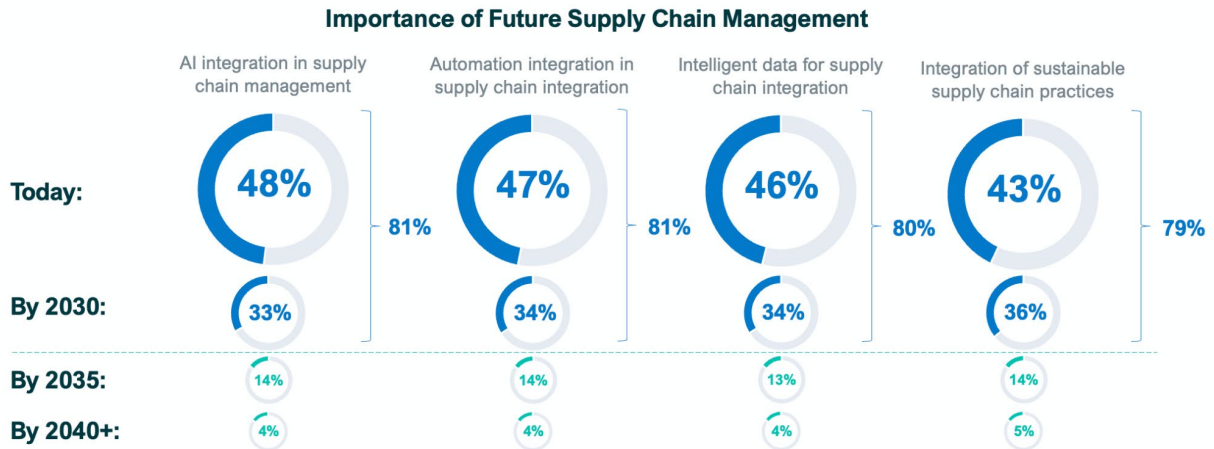
Implications: The demand for AI integration calls for partners who not only provide technology but also ensure its responsible and effective implementation. Clear, customized AI strategies that align with company goals and industry standards are essential for harnessing the full potential of AI in enhancing supply chain operations.

Ushering in the Era of Supply Chain 3.0

Strategic Priorities for the Next Decade: As we approach 2030, Supply Chain 3.0 will be a priority for executives characterized by a sophisticated blend of Artificial Intelligence, automation, intelligent data analytics, and sustainable practices.

Majorities of executives say that in the next 6 years, these four areas will be important in their organizational supply chain management:

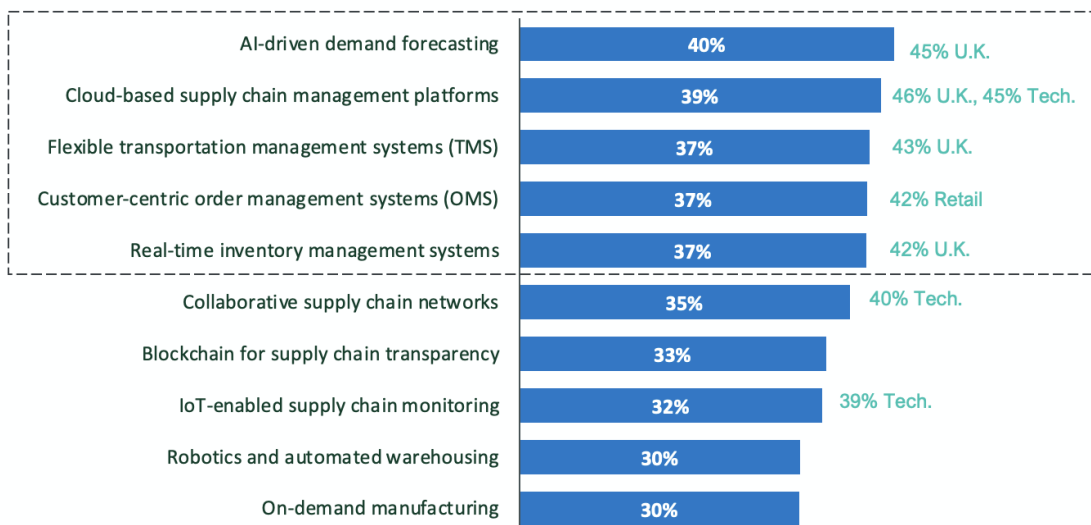
- 81% say **AI integration** in supply chain management
- 81% say **Automation integration** in supply chain integration
- 80% say **Intelligent data** for supply chain integration
- 79% say integration of **sustainable** supply chain practices



Emerging Trends and Technologies: Cloud technologies, Transportation Management Systems (TMS), Order Management Systems (OMS), and IoT-enabled monitoring will support these advancements by offering scalable solutions for data management, optimized logistics, and real-time tracking across the supply chain. These systems will not only improve operational efficiencies but also provide the agility needed to respond to market changes and manage resources effectively.

Top Supply Chain Solutions

[Top solutions critical to supply chain management in the next 10 years]



This era will see AI enhancing decision-making and automating logistics, while automation will streamline operations and free up human workers for strategic roles. Intelligent data will offer real-time insights for swift decision-making, and sustainability will be integrated into core practices, emphasizing environmental responsibility and resource efficiency.

Implications: Developing a comprehensive, forward-looking plan that accommodates these evolving priorities is critical. Working with partners that can meet both short-term market pressures and long-term business goals ensures that companies not only survive but thrive as market opportunities present themselves.

Safeguarding the Supply Chain: Executive Focus on Resilience

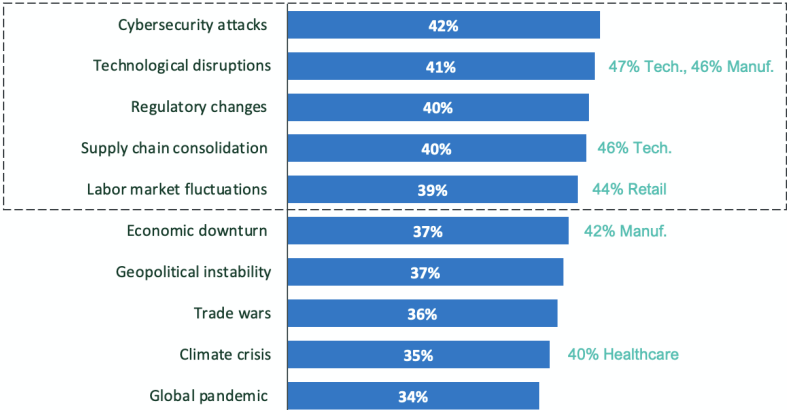
Priority on Preparedness: Securing the supply chain against unexpected 'black swan' events is a top priority for 87% of executives, emphasizing the need for robust risk management strategies to ensure business continuity.

- 87% of executives report, “It is a top priority to safeguard my supply chain against unforeseen disruptions (‘black swan events’).”

Less Than Half of Executives Feel Prepared for Cyber Attacks and Regulatory Shifts

- Despite the urgency, readiness is low; only about 40% of executives feel adequately prepared for challenges like cybersecurity attacks and regulatory changes, with even fewer ready for trade wars or global pandemics.

Preparedness for Future Potential Events
[Very Prepared]



Strategic Implications: This underscores a crucial demand for partnerships with comprehensive, agile capabilities that think globally and can swiftly manage crises, ensuring ongoing resilience and stability in supply chains.