Discover New Paths to supply chain resilience:

How are European businesses responding to disruption?

MAERSK

The need-to-knows at a glance

The 'Discover New Paths to supply chain resilience: How are European businesses responding to disruption?' report is based on a quantitative Maersk survey, with a random sample of 2,062 European Maersk customers. Across the respondents, there is a fair representation of all European geographical areas, customer groups, levels of seniority, and areas of responsibility.

A world disrupted

76% of businesses have seen disruption cause delays to operations in the past 12 months

1 in 5 said supply chain disruption has caused delays on over 20 occasions

4 in 5 respondents said geopolitical instability is among the biggest supply chain disruptors

Only 1 in 5 respondents were quickly able to tackle all disruptions over the past 12 months

Over 50% said delays in the past year have been more expensive than they envisaged

New sourcing solutions

Over 1 in 2 businesses are considering new sourcing locations...

...and almost a third of them are located close to or within European shores

Most prominent sourcing location being considered by European businesses globally:

Türkiye

Investing in resilience

1 in 3 customers say....

- Better data sharing and communication is a key way to improve supply chain resilience
- They're focusing tech budget on supply chain monitoring, tracking and visibility solutions
- Increasing flexibility and speed of planning will drive resilient improvements

Almost a third said they need to be able to accurately predict demand and respond

Almost 25% are looking to invest in technology that enables more accurate forecasting

Supporting sustainability

In 2023 2 in 5 businesses were fully committed to sustainable logistics...

...in 2024, that has grown to 1 in 2

A third say it's a priority to make improvements to emissions visibility in logistics

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Discover New Paths to supply chain resilience: How are European businesses responding to disruption?

Since the turn of the decade in 2020, the world has been far from a simple place for businesses across Europe and beyond to navigate. The unprecedented global impact of the Covid-19 pandemic and its resulting policies was one thing, but add ongoing geopolitical conflicts, extreme weather issues, key transport route blockages and more – and you get one significant melting pot of supply chain challenges.

Having multiple black swan events at such regularity has piled the pressure on a lot of European companies to not just keep business moving, but even to keep their heads above water. Some of which, sadly, haven't been able to survive.

However, while difficult times may indeed be capable of bringing many to the brink of extinction, they also give companies the chance to build back better and implement resilient measures across their operations so the next event can be managed more effectively. And that's certainly been the case for companies worldwide over the past four years.

According to McKinsey research [1], a staggering 97% of companies reshaped their supply chains in 2022 in a bid to boost resilience following the challenges brought about by Covid-19 policies, including inventory changes, multi-sourcing strategies and regionalisation. What's more, these measures are actually paying off, with 83% saying they've benefited from additional resilience when tackling new issues that have come their way.

Still, with impactful events getting even harder to predict in the years since then, it's clear that businesses have to be ready for anything to happen at any time. So how do you prepare for the unexpected, and is it really possible to get your supply chain to that point of absolute readiness? And even if getting there is a complicated and multi-faceted process, can businesses really afford not to commit dedicated focus and investment in these times?

In this report, we aim to answer these questions and determine how European companies are making their supply chains more resilient to respond to whatever the world can throw at them. From a Maersk-owned survey of 2,062 customers across Europe, we want to establish how prominent a role resilient measures are taking in 2024 and whether they have replaced other areas of focus, such as sustainability, across global supply chains as the key priority.

Encompassing a broad range of sectors and businesses of all different sizes, we also aim to understand to what extent resilient action – from near-sourcing in Europe to utilising emerging markets, investing in new technology, and more – has benefited European companies through such an unpredictable period.

Maersk hopes this report gives you a broader understanding of where European companies are shifting their focus as we continue to navigate challenging global circumstances together.

Has disruption led to new sourcing strategies?

It's no secret that supply chains have absorbed their fair share of turbulence over the past few years, and it still remains difficult to determine when exactly normality will return in the logistics world.

This year, the focus has broadly been on geopolitical issues, with the conflict in Ukraine continuing and the Red Sea situation having a serious impact on the global flow of goods.

With the Suez Canal inaccessible as a gateway between Europe and Asia due to the unsafe environment in the Red Sea, vessels have been diverted around Africa via the Cape of Good Hope – adding significant distance, time and cost to journeys.

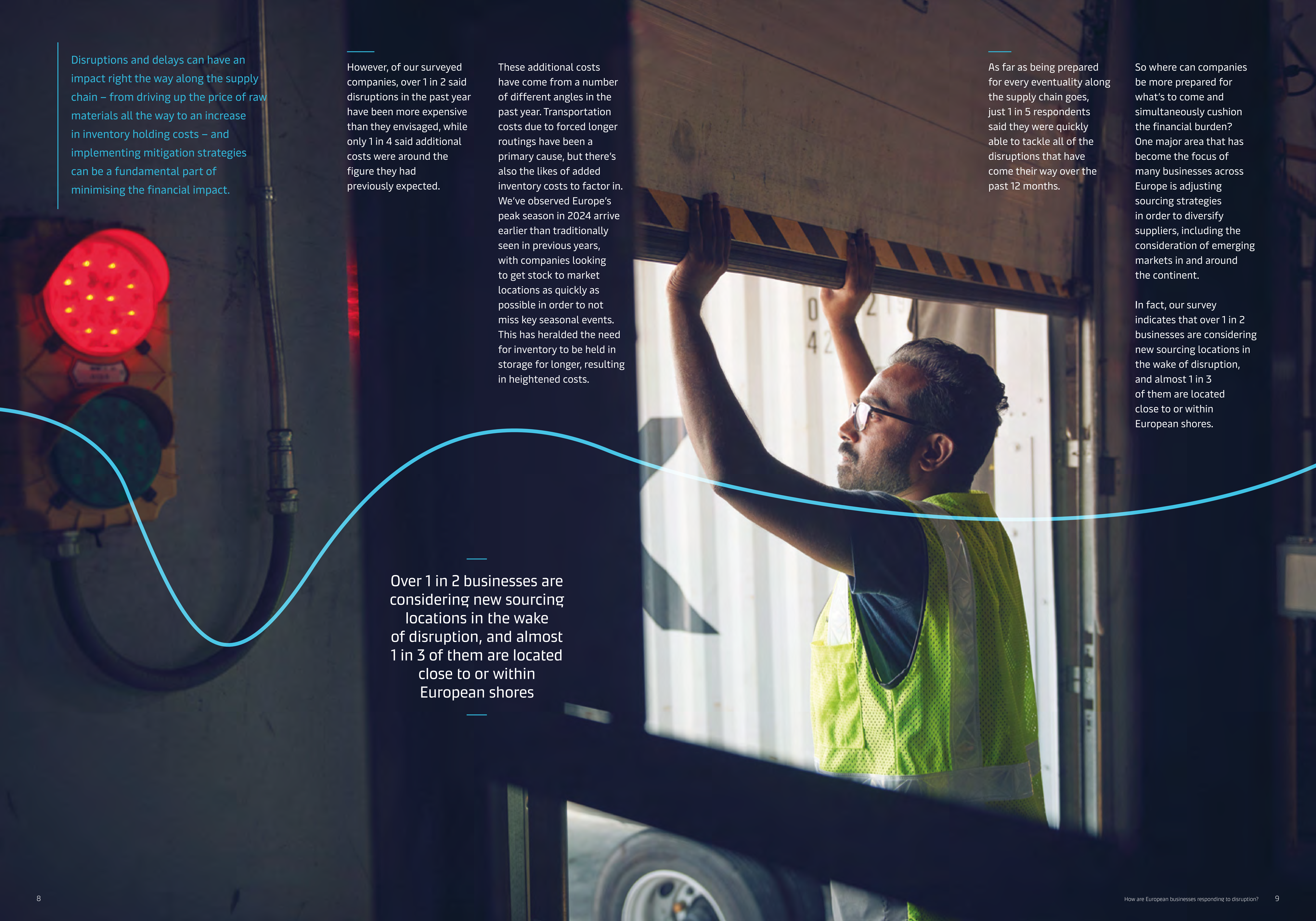
It's little surprise, then, that 4 in 5 of our surveyed customers said geopolitical instability or state-on-state conflicts are the biggest potential disruptors to their supply chain in 2024.
The associated costs around the Red Sea situation have also had an impact, with more than 1 in 2 respondents listing increasing transportation costs as a primary supply chain challenge.

Elsewhere, almost 1 in 2 businesses said they'd faced reduced global capacity and bottlenecks in the past year, while 1 in 3 subsequently had difficulty securing necessary materials for production.

Overall, more than 3 in 4 businesses have seen supply chain disruption having a knock-on effect and causing delays to their operations in the past 12 months, with over 1 in 5 saying it's happened on over 20 occasions.

The difficulties of the past five years mean recent disruptions have only added new layers to an already challenging situation, so it begs the question: are organisations better prepared to tackle black swan events in 2024 than they were previously?

More than 3 in 4 businesses have seen supply chain disruption having a knock-on effect and causing delays to their operations in the past 12 months



Disruptions and delays can have an impact right the way along the supply chain – from driving up the price of raw materials all the way to an increase in inventory holding costs – and implementing mitigation strategies can be a fundamental part of minimising the financial impact.

However, of our surveyed companies, over 1 in 2 said disruptions in the past year have been more expensive than they envisaged, while only 1 in 4 said additional costs were around the figure they had previously expected.

These additional costs have come from a number of different angles in the past year. Transportation costs due to forced longer routings have been a primary cause, but there's also the likes of added inventory costs to factor in. We've observed Europe's peak season in 2024 arrive earlier than traditionally seen in previous years, with companies looking to get stock to market locations as quickly as possible in order to not miss key seasonal events. This has heralded the need for inventory to be held in storage for longer, resulting in heightened costs.

As far as being prepared for every eventuality along the supply chain goes, just 1 in 5 respondents said they were quickly able to tackle all of the disruptions that have come their way over the past 12 months.

So where can companies be more prepared for what's to come and simultaneously cushion the financial burden? One major area that has become the focus of many businesses across Europe is adjusting sourcing strategies in order to diversify suppliers, including the consideration of emerging markets in and around the continent.

In fact, our survey indicates that over 1 in 2 businesses are considering new sourcing locations in the wake of disruption, and almost 1 in 3 of them are located close to or within European shores.

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The most prominent sourcing location being considered worldwide by over 1 in 10 respondents is Türkiye, which has emerged as a very promising market for European supply chains.

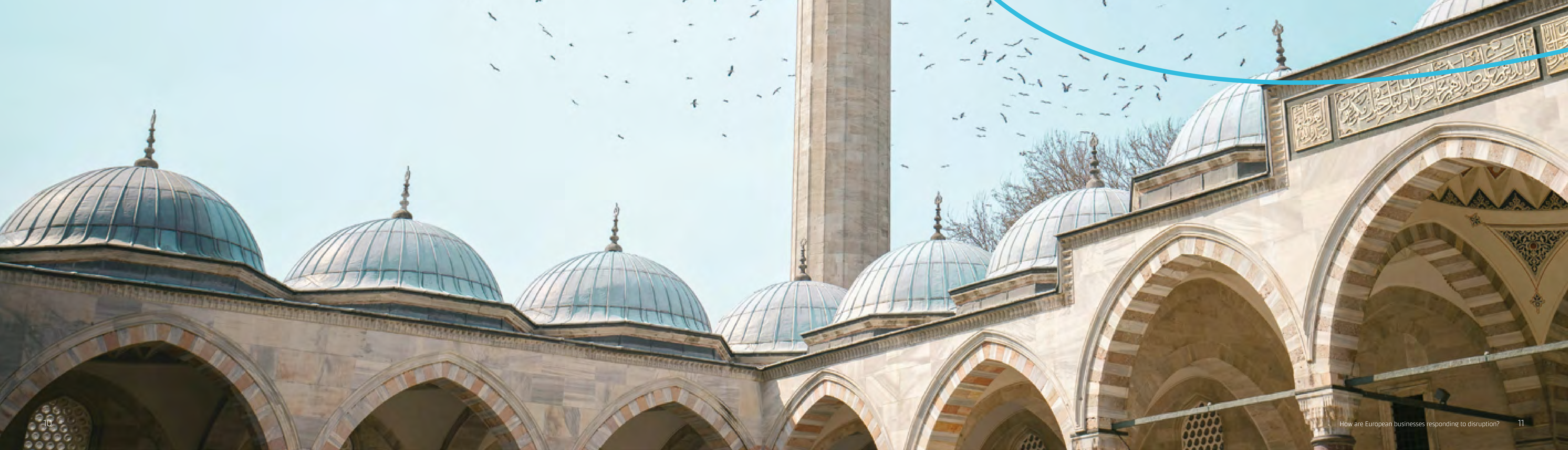
Not only would its proximity to mainland Europe reduce transit times and costs for better speed to market, but it also offers a skilled, affordable workforce, modern infrastructure, trade agreements with the EU and beyond, and a diverse industrial base.

It's little wonder the country's Gross Domestic Product (GDP) is on an upward trajectory, with projections indicating it could reach approximately 1.3 trillion USD by 2029 [2]. Türkiye's manufacturing sector contributes significantly to its GDP, with the export of goods surpassing 255 billion USD in 2023 – and that figure is expected to continue to grow [3].

Türkiye's strategic investments in transportation and communication infrastructure have more than doubled since 2019

Businesses will have to consider how products carrying the "made in Türkiye" label are perceived by European consumers. For example, Turkish products are seen as positive overall by 29% of Norwegian and 16% of German consumers, so where a company's target market lies could be crucial behind any sourcing consideration.

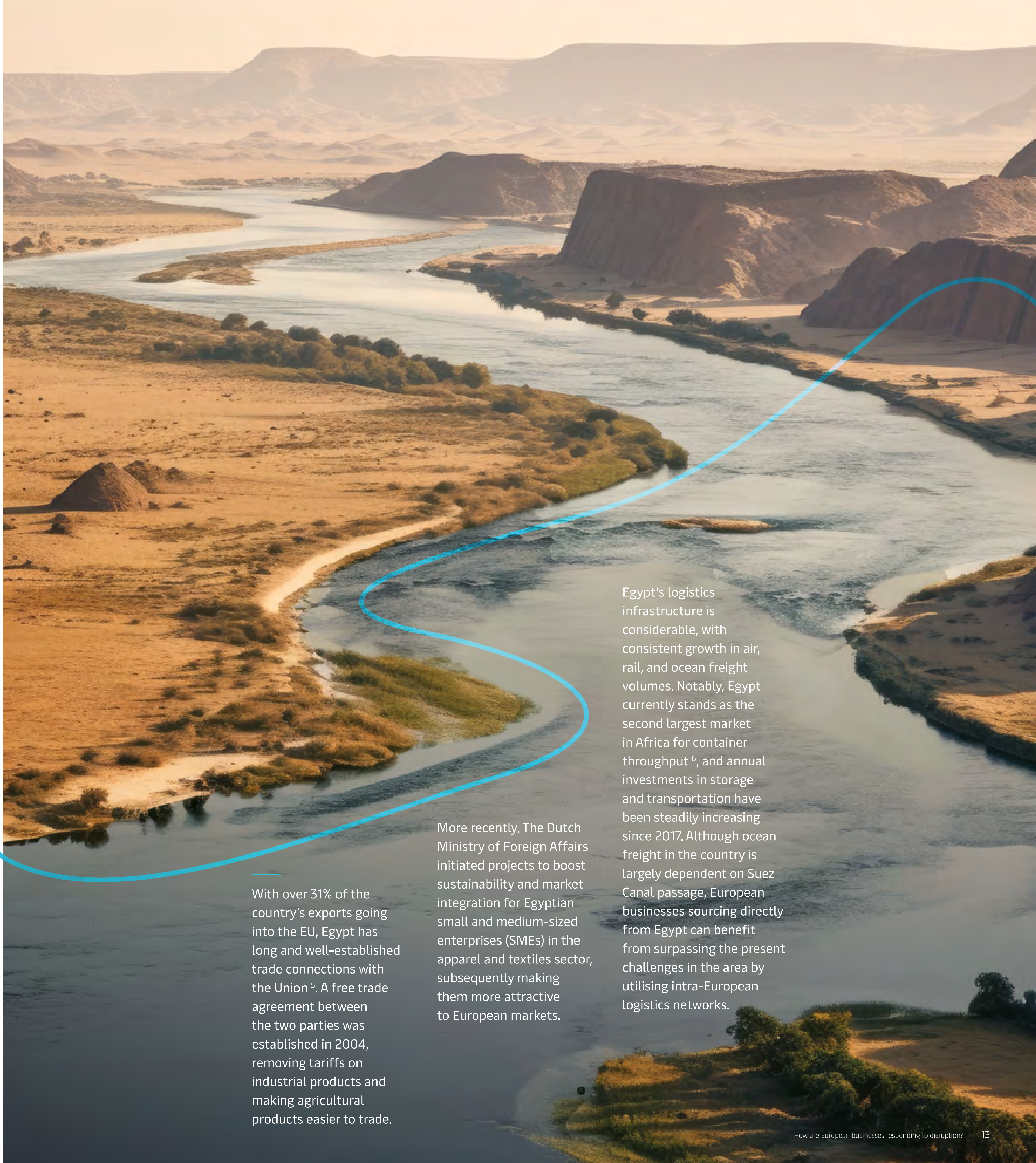
At the same time, Türkiye's strategic investments in transportation and communication infrastructure have more than doubled since 2019, bolstering its logistics capabilities. As a result, ocean, rail, and road cargo volumes continue to grow year-over-year, while air freight is also showing signs of recovery after dropping during the pandemic.



Türkiye's main European export partners currently include the UK, Italy, and the Netherlands, however Germany has emerged as its number-one partner having developed a particularly strong intra-European trade relationship with the nation.

Türkiye's exports to Germany totalled over 21 billion USD in 2023, and according to the Turkish Statistical Institute, road and rail transportation makes up approximately one-third of this [4]. As networks continue to develop, particularly in the rail space, trade into mainland Europe from Türkiye can be even more effectively facilitated, thus enhancing its appeal as a sourcing location. Another location that 1 in 14 of our survey respondents have considered is Egypt in the north of Africa. Like Türkiye, it has a growing GDP and shares many of the same benefits that make it an attractive proposition for European companies, however it also has renowned offerings within textiles and apparel, agriculture, as well as a diverse manufacturing sector.

Egypt currently stands as the second largest market in Africa for container throughput



With over 31% of the country's exports going into the EU, Egypt has long and well-established trade connections with the Union [5]. A free trade agreement between the two parties was established in 2004, removing tariffs on industrial products and making agricultural products easier to trade.

More recently, The Dutch Ministry of Foreign Affairs initiated projects to boost sustainability and market integration for Egyptian small and medium-sized enterprises (SMEs) in the apparel and textiles sector, subsequently making them more attractive to European markets.

Egypt's logistics infrastructure is considerable, with consistent growth in air, rail, and ocean freight volumes. Notably, Egypt currently stands as the second largest market in Africa for container throughput [6], and annual investments in storage and transportation have been steadily increasing since 2017. Although ocean freight in the country is largely dependent on Suez Canal passage, European businesses sourcing directly from Egypt can benefit from surpassing the present challenges in the area by utilising intra-European logistics networks.

Other notable locations being considered for sourcing by our surveyed respondents include 1 in 16 Poland, 1 in 33 Morocco, and 1 in 50 Romania. While each market presents unique advantages, the decision where to source from will depend on the individual needs of each business, the goals they are looking to achieve, and the investments they can make.

Frederik Moeller, Intra-Europe Market Manager for Maersk, says the economy is also playing its part in businesses' considerations of Europe as a sourcing location:

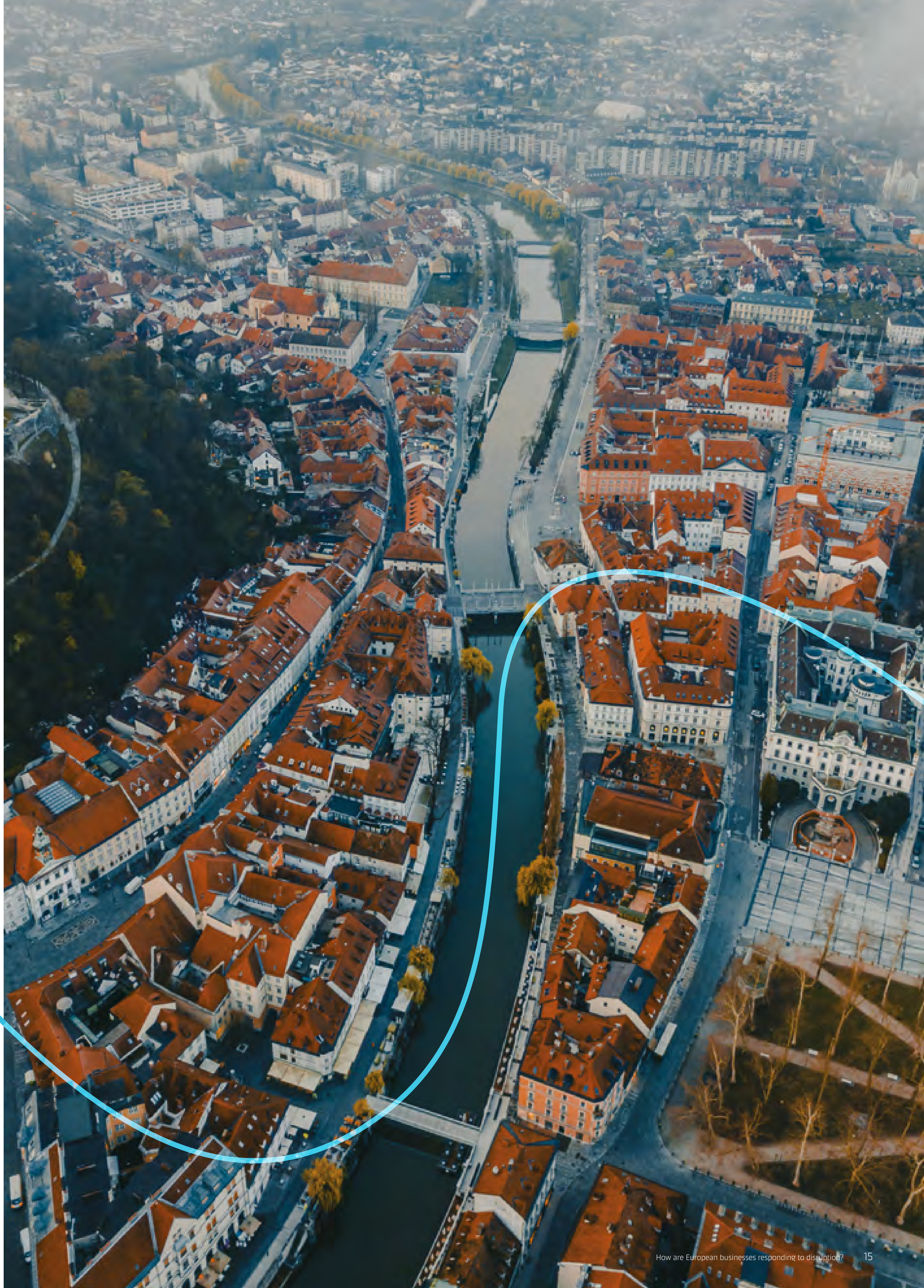
"The drive for near- and multi-sourcing strategies is becoming more and more visible, with various examples coming up within the intra-European trade scope. We see this predominantly with Türkiye and Egypt, where specifically Egypt is showing tremendous growth. Both countries have seen their currency devalued in recent times, which make them even more attractive as sourcing locations for European companies looking to minimise their own operational costs."

Frederik Moeller,
Intra-Europe Market Manager for Maersk

Intra-European export of goods rose from 2.9 trillion Euros in 2020 to 4.1 trillion Euros in 2023

It goes to show that companies are continuing to lean towards relinquishing some dependence on Asian countries in the wake of black swan events, and intra-European trade is on the up. The statistics tell the story, too, as the intra-European export of goods rose from 2.9 trillion Euros in 2020 to 4.1 trillion Euros in 2023 according to Statista [7].

The notion of Europe becoming a sourcing location completely for itself remains a distant idea, but disruptions in recent years have proved the importance of supply chain diversification as means of boosting resilience. Add that to intra-Europe's growing infrastructure and well-established logistics networks, and it's clear that there's a solid foundation for companies to build from. As European companies navigate the challenges of the modern global economy, the strategic utilisation of these key markets could be essential in achieving sustained growth and resilience.



Where are businesses investing money to tackle the next black swan event?

Building a supply chain that's ready for just about every eventuality doesn't come without its complications – or indeed a substantial price tag – but in such a fragmented world, can businesses really afford not to invest in resilient measures?

> 1 in 3 said they were going to focus tech budget on supply chain monitoring, tracking and visibility solutions

Fortunately, there are a number of areas that businesses can invest in to make their supply chain more resilient. The diversification of suppliers as previously covered is one area, and another is visibility across the supply chain and data sharing. Having real-time tracking of goods from end to end means a business can enhance its transparency with suppliers and partners, which will enable it to monitor performance and detect potential problems as early as possible.

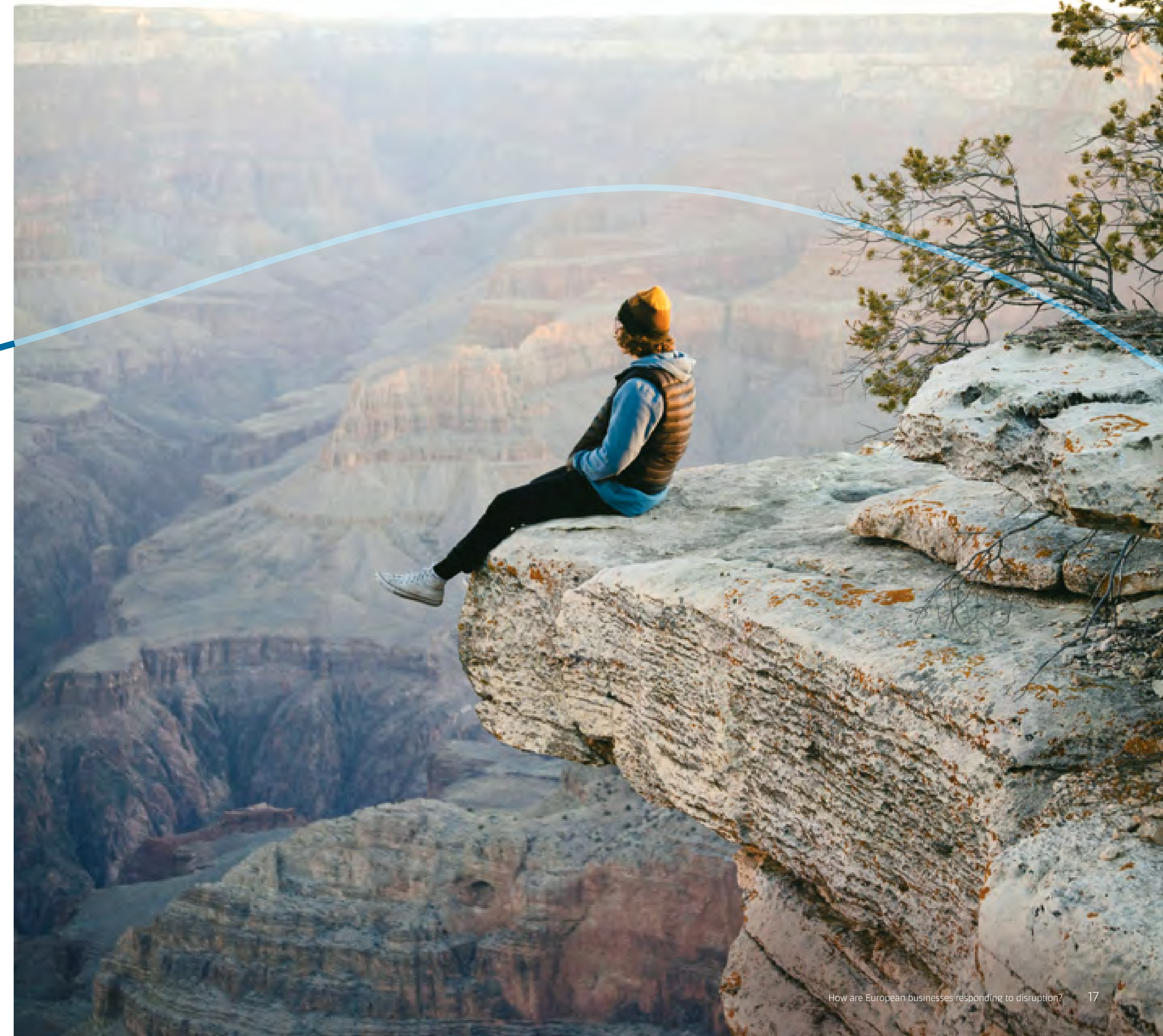
Making your supply chain as flexible as it can be is also a means of optimising resilience. From risk assessments and contingency planning through to identifying alternative routes away from key trade lanes can all have an impact on your ability to react quickly to disruption.

Intelligent inventory management is another all-important factor when it comes to building a resilient supply chain. Holding buffer stock in strategic storage locations allows a business to continue feeding a hungry market in the event of bottlenecks, while demand forecasting enables this smarter level of inventory planning.

With this in mind, what have European businesses identified as important and in need of investment on the road to a more resilient supply chain?

Our survey respondents recognised three major areas where their focus lies, starting with over 1 in 3 customers naming better data sharing and communication as a key improvement.

Quality data sharing is a fundamental part of achieving supply chain visibility, and that appears to be where the majority are dedicating attention and investment. When asked about technology priorities in the next 12 months, 1 in 3 said they were going to focus tech budget on supply chain monitoring, tracking and visibility solutions – in the hopes of real-time tracking enabling better control.



Indeed, sharing data with supply chain partners and suppliers is currently proving to be a challenge across the board, with only 1 in 3 respondents indicating that they are very effective in this area. That said, less than 1 in 5 have said they're not effective, leaving 2 in 5 in the middle as 'somewhat effective'.

So what's standing in the way of businesses achieving greater visibility from supply chain partners? The overwhelming reason based on our survey is the distinct lack of a standardised solution across the industry. The biggest barrier for more than 1 in 4 businesses was that partners' data is not standardised, while data exchange incompatibility has been a challenge for just less than 1 in 4.

However, the importance of getting this side of logistics right can't be underestimated, as strategically collaborating with partners to share quality and accurate data in a universal format may do more than just boost supply chain resilience. Jeree Hanavec, Executive Vice President of Global Supply Chain Operations at World Wide Technology, says perfecting a data strategy could also have a significant impact on a company's bottom line [8]:

"Just 6% of companies report full supply chain visibility, which is causing disruptions that drive a massive 62% loss in finances. Shared visibility — putting data out in the open — will have a profound effect on mitigating those losses and driving future innovation. It's like eating carrots. The more data you eat, the better your visibility. From a supply chain perspective, increased visibility leads to added predictability, efficiency and productivity. Supply chain managers that advance their data maturity will prevail in the chaotic landscape we find ourselves in. Those that foster a community of data sharing will succeed even more, leading to a more robust, agile, aware, efficient, intelligent, and sustainable supply chain. Sharing data isn't just an idea that will help you down the road. Open sharing of data will help you and your partners immediately. The manufacturing sector alone could realise 100 billion USD in efficiencies by better sharing data across its stakeholders both up and downstream."

Jeree Hanavec, Executive Vice President of Global Supply Chain Operations at World Wide Technology

Next, 1 in 3 respondents said that increasing flexibility and speed of planning will drive resilient improvements in their supply chain. Flexibility comes in a number of different forms, but interestingly over 1 in 4 deemed accurately understanding transport availability and reliability as an important factor.

It goes back to planning and understanding global transport networks, and therefore being able to spread risk and respond more flexibly to changing market conditions, customer demands, and supply chain dynamics – all of which will deliver more efficient speed to market to optimise business performance.

1 in 3 respondents said that increasing flexibility and speed of planning will drive resilient improvements in their supply chain

Achieving this can come down to something as simple as engaging in strategic and active collaboration with logistics carriers, but at the other end of the scale there's utilising advanced supply chain management systems or route optimisation software to determine the most effective solution.

The latter could well be something being considered by our surveyed businesses across Europe, as 1 in 5 of them plan to invest in analytics in the next 12 months.

Finally, almost 1 in 3 survey respondents said their supply chain was in need of resilient improvement in the form of being able to accurately predict demand and respond to the information accordingly.

It's no secret that supply and demand have fluctuated enormously over the past few years due to a variety of factors, starting of course with the substantial supply-demand shock brought about by Covid-19 policies. It means that a lot of companies have found themselves in difficult positions in terms of inventory management, potentially losing out on capital by not having the right stock in the right locations.

Johanna Hainz, Maersk Global Head of Customer Solutions, says marrying supply and demand is still a challenge, and companies are trying to eliminate the risk of stockouts in a variety of ways:

> *"At the beginning of the year, many importers went back to levels of inventory they had been keeping prior to the pandemic. This indicated that they felt confident they could manage the risk of a stockout, or potentially that they couldn't afford to keep excess stock. Now with the Red Sea incident and many of the knock-on effects, as well as the unpredictability around the political landscape impacting tariffs, a lot of importers are once again trying to pull forward demand and increase their stock holding as an act of 'planned resilience'. Supply imbalances and the question of sourcing locations / requirements has become a bigger topic of resilience across multiple industries. The diversification of sourcing and manufacturing closer to home is certainly a real thing now, especially for consumer goods and electronics both in Europe and the USA."*
>
> **Johanna Hainz,**
> **Maersk Global Head of Customer Solutions**

1 in 3 said accurately predicting consumer demand will bring resilient improvements

In an attempt to combat any potential future supply-demand imbalances that may occur, 1 in 4 survey respondents said that were looking to invest in technology that enables more accurate forecasting over the next 12 months.

Add it all together, and being able to visualise demand patterns, combine it with enhanced supply chain visibility and adopting flexible transport options makes up a recipe for resilient success. Businesses across Europe have identified where they need technological investment on the journey to being more resilient, ultimately making them more prepared for the next black swan event that could come along.

Is sustainability becoming less of a priority?

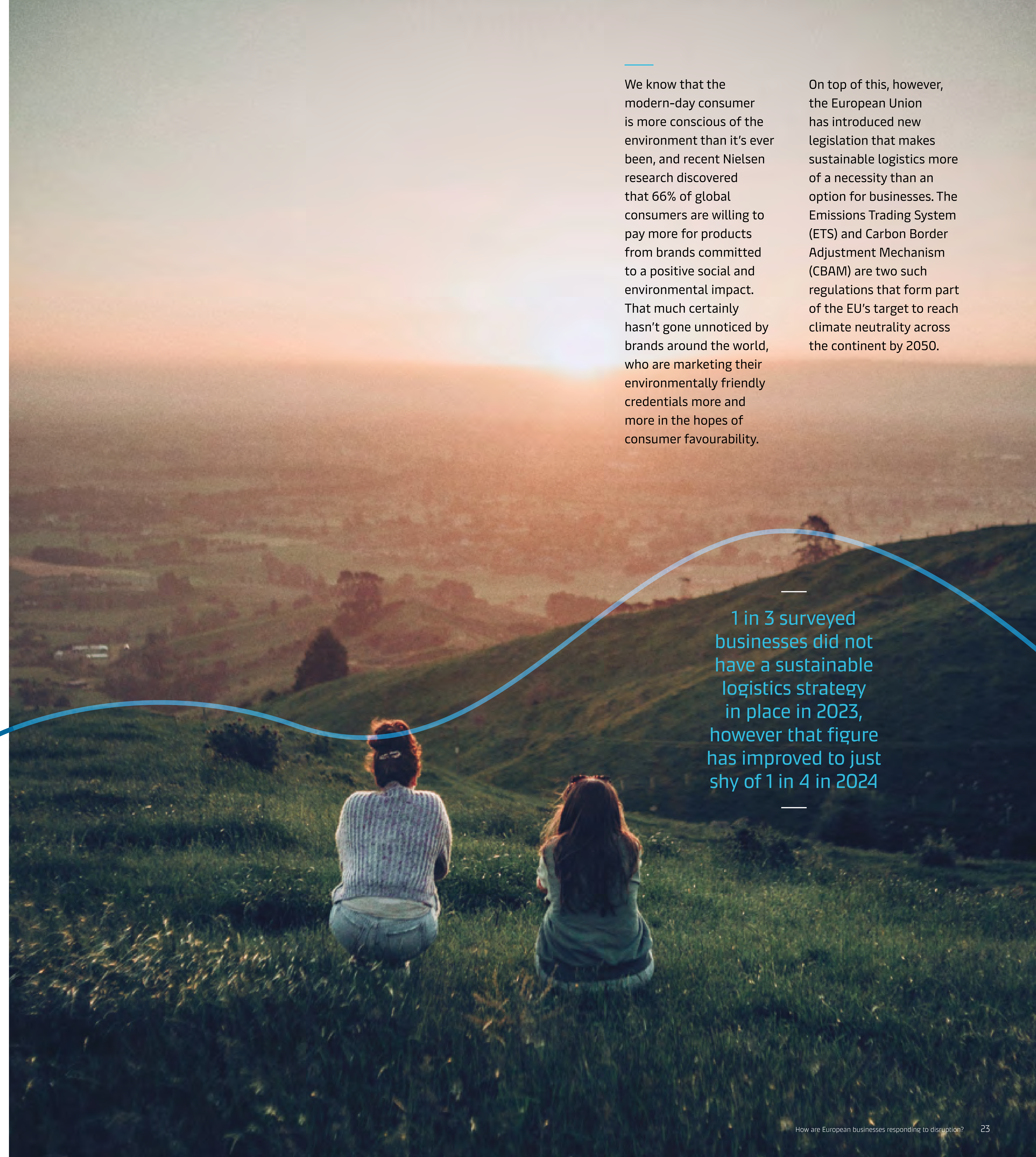
With resilient measures appearing to be the primary focus for businesses across Europe to navigate such challenging times, you'd be forgiven for thinking that other areas may have slipped down the priority list – such as sustainability incentives.

Back in 2023, our 'Sustainability for European Businesses: Data-Led Report'[9] uncovered how far along European businesses were on their sustainable logistics journey and where the industry is in need of improvement for the good of the environment.

Now in 2024, are European companies continuing their upward trajectory when it comes to more sustainable logistics, or has sustainability taken more of a back seat given the widespread challenges being faced?

Interestingly, 1 in 3 surveyed businesses did not have a sustainable logistics strategy in place in 2023, however that figure has improved to just shy of 1 in 4 in 2024. Similarly, 2 in 5 companies actively drove sustainability initiatives or were fully committed to sustainable logistics in 2023, whereas 1 in 2 do so now.

This positive pattern once again demonstrates the importance of sustainability to businesses and consumers in the 21st century, as well as just how crucial a role logistics can play in reaching a company's goals.



We know that the modern-day consumer is more conscious of the environment than it's ever been, and recent Nielsen research discovered that 66% of global consumers are willing to pay more for products from brands committed to a positive social and environmental impact. That much certainly hasn't gone unnoticed by brands around the world, who are marketing their environmentally friendly credentials more and more in the hopes of consumer favourability.

On top of this, however, the European Union has introduced new legislation that makes sustainable logistics more of a necessity than an option for businesses. The Emissions Trading System (ETS) and Carbon Border Adjustment Mechanism (CBAM) are two such regulations that form part of the EU's target to reach climate neutrality across the continent by 2050.

1 in 3 surveyed businesses did not have a sustainable logistics strategy in place in 2023, however that figure has improved to just shy of 1 in 4 in 2024

The survey data from both 2023 and 2024 has 1 in 5 European businesses still only complying with the minimum sustainability standards, although the shift in what the minimum standards actually are in 2024 with new regulations means that can be seen as another positive to take.

Where companies are continuing to face challenges on their sustainable logistics journey lies predominantly within emissions visibility, as over 1 in 3 survey respondents said it's a priority to make improvements in this area along their supply chain.

Tracking cargo emissions data is still a fairly new area in logistics and there remains no perfect system for bringing everything together and converting that into a single number to represent a company's footprint. However, Kaisa Tikk – Maersk Head of Commercial Sustainability – says there's cause for optimism and excitement on the path to unifying logistics emissions data:

"Stronger and more accurate data is coming, and the good news is it will provide more opportunities to actually act on information within operations - including making more informed decisions on logistics decarbonisation and supply chain risk management. It also means businesses will be able to predict where their emissions hotspots could lie based on previous historical data, before making the necessary changes to reduce their environmental impact. With investment, collaboration, and a common goal of protecting the planet, such a future will become reality sooner rather than later."

Kaisa Tikk
Maersk Head of Commercial Sustainability

Enhancing supply chain resilience is continuing to be a pressing challenge for businesses across Europe and certainly one of the highest priorities, but seeing sustainability continue to trend in the right direction is good news for the industry and indeed the environment.

There is undoubtedly room to grow from a technological perspective across the board, but the appetite for sustainable logistics practices and the benefits they bring to an organisation remains evident.

Over 1 in 3 survey respondents said it's a priority to improve their business' visibility of emissions along the supply chain

Thank you for reading!

In this report, we set out to determine how European businesses are looking to make their supply chains more resilient, having felt the full force of black swan events over the past few years.

It's clear from our survey data that being more resilient is becoming a necessity in the current challenging climate, with over 3 in 4 businesses having seen supply chain disruption have a knock-on effect and causing delays to their operations in the past 12 months.

So what action are European businesses taking?

Considering new sourcing locations is one of the primary ways companies are looking to achieve supply chain resilience, with 1 in 2 exploring new areas overall and almost 1 in 3 focusing on near-souring from locations in Europe – including emerging markets.

Identifying a beneficial sourcing location will very much depend on the needs of the individual business, but the building blocks are continuing to be laid for Europe to become a prominent sourcing location for itself – and our data suggests that isn't going unnoticed to European businesses.

Achieving supply chain resilience doesn't come without the help of investments, though, and it's been interesting to see where companies are planning on allocating budget in the next year. There are three key areas we see 1 in 3 European businesses focusing their attention to be more resilient: enhancing data sharing and visibility, increasing flexibility and speed of planning, and accurately predicting consumer demand.

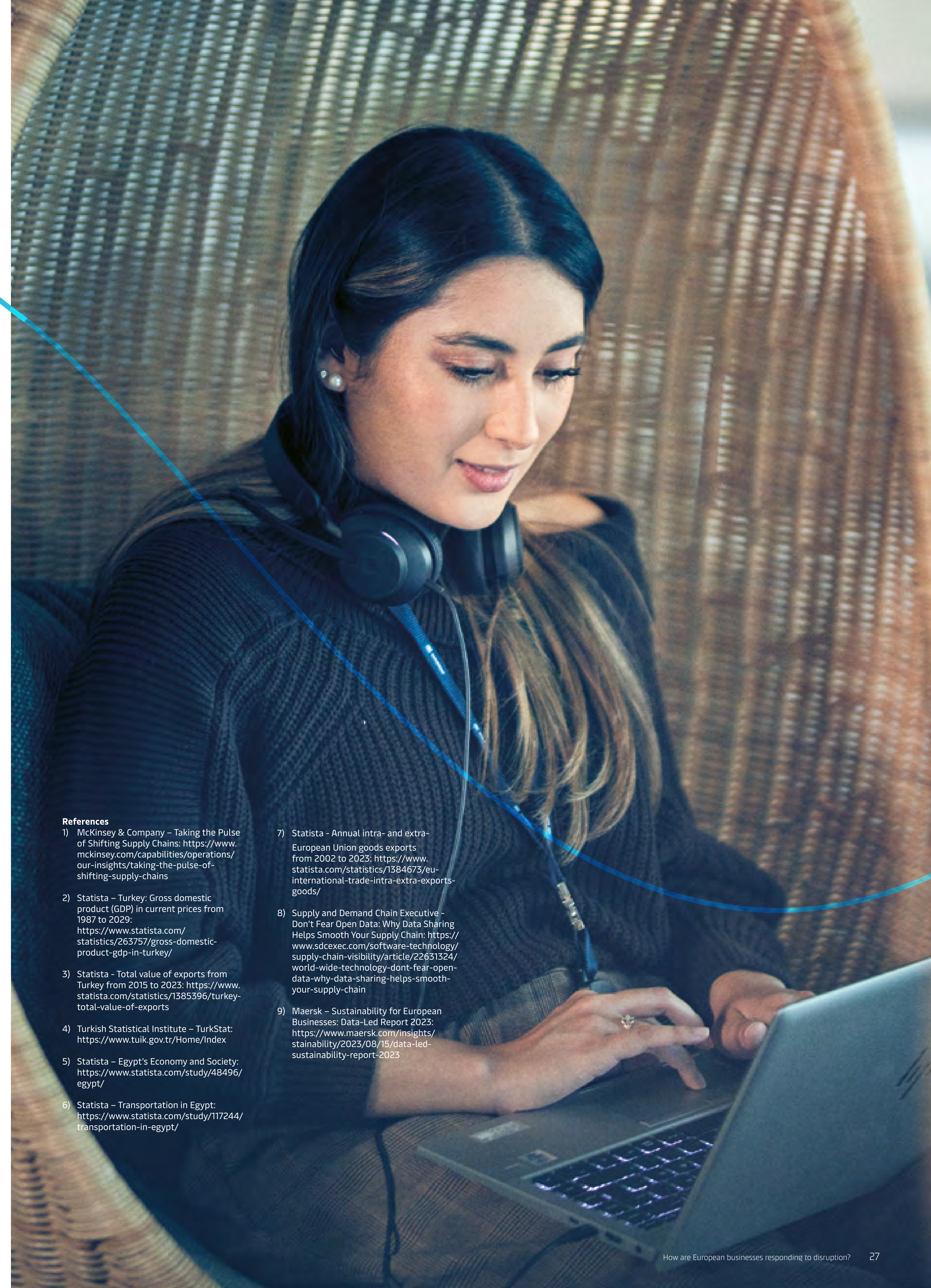
All three can certainly contribute to improvements across the supply chain, but it's clear there's no 'one size fits all' solution on the road to resilience, so it's encouraging to see that companies are adopting a multi-faceted approach and investing in a variety of areas.

With all of these resilient investments in the pipeline, it could be argued that past priorities – such as more sustainable logistics – have become less important to businesses in Europe. However, our data shows that sustainability remains predominantly high in the list of priorities, with only 1 in 4 not having a sustainable logistics strategy in place – an improvement from 1 in 3 the previous year.

New regulations across Europe may well have contributed to such a rise, however an improvement from 2 in 5 to 1 in 2 businesses being fully committed to sustainable logistics is another positive to take.

Overall, European businesses are increasingly recognising the critical importance of a resilient supply chain in today's volatile global market. From diversifying suppliers to investing in new technologies, companies are bidding to minimise disruptions across their supply chain and ultimately gain a competitive edge. As businesses continue to evolve and adapt to emerging challenges, proactive measures that strengthen a supply chain could be the catalyst behind a company fulfilling its potential and achieving success.

We hope our survey data and resulting report have been insightful to you and your business.



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