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2025 CONSUMER PRODUCTS SUPPLY CHAIN TRENDS

Supply chain leaders in the consumer products industry are navigating a turbulent 2025, marked by intensifying disruptions from tariffs—both implemented and looming—geopolitical instability, and sustained inflationary pressure. Mounting input costs, particularly for critical raw materials like cocoa in the snack sector, are forcing companies to double down on operational efficiency just to protect margins and meet demand. Amazon continues to be a focal point for consumer products companies striving to unlock the capabilities for sales, marketing, and fulfillment through Amazon.

In navigating a complex 2025, we see four key trends that CPG supply chain leaders should consider in their capability build:

1 AI/ML-DRIVEN FORECASTS TO CUT WASTE AND BOOST EFFICIENCY

2 SCENARIO PLANNING TO STAY AGILE AMID DISRUPTIONS

3 CUSTOMER SEGMENTATION TO OPTIMIZE RESPONSIVENESS

4 FUTURE-PROOFING HOLISTIC SUPPLY CHAIN CAPABILITIES

1 AI/ML-DRIVEN FORECASTS TO CUT WASTE AND BOOST EFFICIENCY

If demand planning is the brain of a company's supply chain, enhancing a forecast's intelligence through artificial (AI/ML) or other means (*process-based intelligence via S&OP/IBP*) to derive an accurate forecast that feed the executionary arms (*and legs*) of the supply chain is of paramount importance to today's supply chain leaders. Forecasting using AI models that account for seasonality, limited editions, and new product introductions, along with the traditional SKUs, helps to minimize stockouts, reduce excess inventory, and ultimately boost customer satisfaction by providing a more responsive and efficient supply chain.

Within CPG companies, the need for accuracy in the short-term horizon is boosted through demand sensing capabilities, which incorporate real-time, location-specific, and consumption-based data into the forecasting process. By including internal (*e.g., transactional data, promotional data*) and external data (*e.g., point of sales, macro-economic*), CPG companies can better anticipate customer and consumer needs, ensuring that the right products are available at the right time and in the right quantities.

Though a lofty goal for many CPG companies, an active evolution towards touchless planning is underway: a supply chain planning organization that streamlines the forecasting process by using the output of demand models rather than relying on multiple conflicting forecasts (Sales Plan, Financial Plan) or manual data manipulation. Touchless planning relies on executive level trust, and organizational belief, in AI models that traditionally have been seen as black boxes. Thoughtful deployment strategy and organizational change management are the keys to unlocking AI in supply chain planning for CPG companies.

2 SCENARIO PLANNING TO STAY AGILE AMID DISRUPTIONS

Scenario planning capabilities form the core foundation of an agile supply chain – an aspiration of supply chain leaders in CPG organizations. The integration of supply chain planning software, trade promotion management tool, ERP, and other data sources will further enhance the ability to envision various scenarios effectively and manage disruptions—such as demand spikes, labor shortages, and geopolitical risks—before they happen. Sales and Operations Planning (S&OP) or Integrated Business Planning (IBP) processes bring together cross-functional partners within the organization to contribute productively to scenarios and weigh the risks and opportunities in a data-driven, well-orchestrated manner.

By leveraging internal and external data from Commercial, Finance, and Supply Chain partners, true collaboration and intelligent decision-making is made possible. Data and technology bolstered by robust S&OP or IBP processes unlock the full potential of scenario planning to help supply chains become more agile, resilient, and prepared for uncertainty.

Scenario planning is especially valuable in navigating complex, high-impact shifts across demand and supply. For example, when entering a new geographic market or responding to a rapid change in consumer behavior (*such as price sensitivity or distribution channel preference*), modeling helps businesses assess their logistical readiness, product and pricing strategies, and fulfillment processes. On the supply side, scenario planning allows companies to simulate disruptions, including geopolitical issues or raw material shortages, helping to evaluate sourcing alternatives or buffer strategies. It's equally powerful in inventory decisions—analyzing the trade-offs between holding more safety stock for resilience versus running lean for cost efficiency.

Ultimately, effective scenario planning is reliant on capabilities from a data and technology perspective, process-framework for cross-functional inputs (e.g., S&OP, IBP), and people enablement and empowerment to bring the right inputs and have the right strategic level conversations in those forums.

3 CUSTOMER SEGMENTATION TO OPTIMIZE RESPONSIVENESS

Customer segmentation allows CPG companies to distinguish and optimize supply response to various customer channels demands. This customer-centric approach allows for a surgical look at customers by value, demand variability, service expectations, location, and more – juxtaposed against manufacturing and supply capabilities and business value considerations. High-value customers may receive prioritized fulfillment and premium delivery options, while cost-conscious segments benefit from efficient, lower-cost logistics solutions. Segmentation also enables optimized inventory allocation, ensuring that fast-moving products are readily available where demand is highest.

A customer-centric approach is at the core of modern supply chain strategies, with Direct Store Delivery (DSD) playing a critical role in improving customer satisfaction and streamlining operations. However, careful evaluation of the business needs, product portfolio, delivery frequency, and store density choice must be considered in the decision between DSD and centralized distribution. For food companies aiming to maximize freshness, accelerate delivery, and maintain better control over shelf stock, DSD is often the superior distribution model.

At the same time, DSD is asset-intensive and can be costly to implement and maintain, requiring significant investments in infrastructure and labor. All trade-offs must be carefully considered to ensure the benefits of increased control and speed justify the operational complexities. Ultimately, segmentation ensures supply chains are not just efficient but also responsive, aligning operations with customer preferences to enhance satisfaction and loyalty.

4 FUTURE-PROOFING HOLISTIC SUPPLY CHAIN CAPABILITIES

Supply chains have reacted and morphed significantly through the myriad disruptions in recent years, most notably starting with the COVID-19 pandemic. A full spectrum view from procurement to production, and from warehouse to shelf, should be evaluated to uncover opportunities for optimization.

Supply chain leaders should be thinking:

- *Are line efficiency and downtime monitored regularly?*
- *How are the levels of rework or scrap rate?*
- *How responsive is your production scheduling?*
- *How accurate is your inventory count?*
- *How efficient are your returns and reverse logistics?*
- *Have you evaluated your network design recently – or do you have a process, cadence, and tech for doing so?*
- *Are the right KPIs being monitored across the supply chain – at the executive level through the operators?*
- *Can the data and calculation behind the KPIs be trusted to enable swift decision-making?*
- *Where in the supply chain can you automate, retool, retrain, or repurpose to meet the demands of today, while remaining nimble to react to the uncertainties of tomorrow?*

By thinking through these questions and assessing the holistic supply chain health, CPG supply chain leaders can identify areas of strength within their organization and opportunities to enhance and future-proof their supply chain capabilities.

LOOKING AHEAD

So far in 2025, global supply chains and economic stability have been tested by rising geopolitical friction, aggressive tariff measures, and rapidly evolving trade dynamics. As a result, CPG supply chain leaders are actively seeking opportunities to strengthen operations to reduce cost to serve without sacrificing responsiveness and resilience. This year, a resilient supply chain isn't just a competitive advantage for CPG companies – it's the foundation for survival and long-term success.

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