This research unveils the 15th annual global Supply Chain Top 25. It highlights the advanced practices and capabilities of leading companies that CSCOs and supply chain leaders can adopt and adapt to compete with the best in the world.

Key Findings

- Personalization at scale, leveraging ecosystems and driving business-led digital strategies are this year’s most common trends among supply chain leaders.
- Two new companies made the list this year. Chinese e-commerce giant Alibaba and Dutch chemical company AkzoNobel joined for the first time.
- For the first time, Colgate-Palmolive topped the ranking, followed by Inditex, Nestlé, PepsiCo and Cisco Systems. Unilever joined Apple, P&G, Amazon and McDonald’s in qualifying for the Masters category.

Recommendations

Chief supply chain officers (CSCOs) and supply chains leaders can learn from the strategy and leadership of the top global supply chains, and:

- Assess supply chain organization’s capabilities to deliver personalized offerings in segments where they drive customer value and competitive differentiation in the business.
- Explore partnerships with other companies and noncorporate organizations within your ecosystem seeking similar outcomes to deliver a broad range of objectives from efficiency to innovation, as well as delivering on corporate social responsibility (CSR).
- Ensure that supply chain’s digital capability roadmaps align with broader digital business transformations. Build the supply chain workforce of the future through educational partnerships and a strong organizational learning culture.
Analysis

In our 15th edition of the Supply Chain Top 25, we have an impressive group of leaders with new lessons to share, including two recent entrants from the retail and chemical sectors.

Reflecting on 2018, it was year of positive and negative stresses. On the one hand, the global economy continued on a more steady growth trajectory that started in 2017. The median annual revenue growth rate, for the companies in our study, accelerated to 5.2% from 4.9% the prior year and under 2% in 2016. In some industries such as high tech, surging demand led to supply...
constraints. Global trade restrictions also became a reality, with international trade decelerating into the end of 2018. Supply network design discussions loomed large in boardrooms, assessing issues such as Brexit and escalating trade tariffs.

On the demand side, executives cite supply chain capability as a key enabler to exploit new growth opportunities. Continued investments in supply chain innovations are key to meeting these expectations.

Two key aspects of the Supply Chain Top 25 ranking are the demonstration of demand-driven leadership and CSR. We’ve been researching and writing about demand-driven practices since 2003, highlighting the journey companies are taking — from inward-focused supply management functions to supply chains that orchestrate a profitable response to demand. Beyond profit, leading companies also focus on people and protecting the planet. We reflect this aspect of leadership through a quantitative CSR measure (10% of the scoring), first added to our methodology in 2016.

We continue to invest in this supply chain leadership research to foster the enablement and sharing of best practices as a way to raise the bar of performance for everyone in supply chain management (SCM). Another objective of the Supply Chain Top 25 is to highlight and elevate the importance of the supply chain function and profession across our community, within corporate boardrooms and for the investment community at large.

The Notable Trends

Each year, our analysts research the supply chains of hundreds of companies. Through this work, we note trends such as: What leaders are focusing on, where they are investing time and effort, and what can be applied broadly? Three key trends stand out this year for these leaders that are accelerating their capabilities and further separating themselves from the rest of the pack (see Figure 1).
Personalization at Scale. In the last year, leaders have sharpened their focus on a particular aspect of improving customer experience (CX) — personalization. Tailoring products to individual customer’s needs is nothing new for supply chain. However, personalization at scale is a key differentiator for more advanced companies. There are levels of agility, supply chain flexibility and underlying technological capabilities that are required to successfully pull it off.

For instance, L’Oréal’s Lancôme cosmetics business is using flexible, local manufacturing and agile logistics to enable 48-hour delivery of foundation makeup designed to specifically match the consumer’s skin tone and skin structure. Nike’s “NIKE By You” service offers custom-made running and sport shoes through personalized selections of fabric, color, hardware and other product features, made available to the consumer within a few weeks of ordering.

However, this trend is not limited to consumer-facing businesses in consumer products (CP) and retail. Personalization has long been a requirement in more complex high-tech and industrial equipment. Some are scaling the concept further with improved versions of technologies such as 3D printing. HP Inc.’s commercial-grade 3D printers allow users to produce custom products and parts, at will and at scale. Haier offers a line of appliances, tailored to customer preferences and real-time visibility into the manufacturing process and customer delivery. In life sciences, companies such as Johnson & Johnson (J&J), that are well-known for producing mass treatments at scale, highlighting a move toward more personalized medicines tailored to the biology of individual patients.
A broader look at companies’ portfolios reveals a picture more akin to the yin and yang symbol. One side represents hyperpersonalized offerings that often leverage common platforms and bills of material, and can be quickly finished and delivered to customers. The other are the mass offerings that extend choices to customers through finished product SKU variety. It is important to distinguish between these two sides of the portfolio. Industry research shows that more than 90% of companies’ new product launches end up on the “long tail” of their portfolios, contributing less than 20% to revenue and margin in aggregate.

Leading companies in the Supply Chain Top 25 have found the right balance. Where personalization is valued, they digitally capture customer requirements, flexibly convert designs to physical products and packages and then quickly get them into customers’ hands. Where standard product portfolio variety is good enough, they are ruthless about keeping only the best performers in the mix.

**Leveraging Ecosystems.** The leaders of large corporate supply chains recognize that the next major challenges they face cannot be solved within their four walls alone. Examples include fostering local talent pipelines for advanced skills and minimizing plastic waste creation and ocean pollution. Problems of this scale can only be tackled in cooperation with an ecosystem of external partners. These partnerships extend well beyond individual value chains and include consortia that may include traditional competitors, governments, nongovernmental organizations (NGOs), academia, startups and solution providers.

This change in perspective and approach is part of leading companies’ broader shift to run more purpose-driven supply chain organizations. A groundswell of support for this shift is coming from both inside and outside of companies. On the inside, many employees go so far as choosing their employer based on the ability to drive larger, positive impacts to society. Externally, the financial community is seeing record demand for sustainable, responsible and impact (SRI) investments. By a recent measure, more than one out of every four dollars under professional management in the U.S. (representing more than $12 trillion) was invested according to SRI strategies. Moreover, from 2016 through 2018, surveys of more than 50 large institutional investors consistently identified “climate risk and management of environmental impacts” as a top five priority for proxy season engagement at annual shareholder meetings.

Examples of ecosystem partnership abound across industries. In high tech, Dell has successfully oriented its whole supply chain around serving customers through sustainable solutions in order to leave a “Legacy of Good” in the world. One pillar of this approach is a circular economy partnership with NGO NextWave and other companies, such as with General Motors to reduce ocean plastics.

J&J is collaborating beyond traditional boundaries to drive social good. As part of its Project Phoenix, J&J partners with recycling cooperatives in Brazil to improve operational processes, document policies, and develop a stronger social infrastructure. In everyday terms, this has meant fair pay and safer working conditions for people who pull recyclable materials from street garbage. Other companies such as HP Inc. and Kimberly-Clark have joined to provide the scale required for financial viability.
In consumer products, Unilever is known for setting and hitting ambitious environmental stewardship goals as part of its Sustainable Living Plan, but it has more recently committed to being a “smallholder company.” Smallholders are family farms of 1 to 2 hectares. In global terms, there are currently 3.5 billion people running more than half a billion of these family farms, making less than $2.50 per day of income. Smallholders represent 80% of all global food production and are typically much less efficient than larger producers, so there is an enormous untapped opportunity for the planet. Unilever’s strategy is driving “radical transparency” by shining a bright spotlight on the issues smallholders face, such as lack of know-how, capital and even land rights recognition in some countries. The approach is to partner with governments and NGOs and use a multitiered training and certification program to bring smallholders into the global sourcing mix for commodities such as tea and palm oil.

**Business-Led Digital Strategies.** A tremendous wave of automation and augmentation has sped through corporate supply chains in the last five years. Companies that grace the top of the Supply Chain Top 25 tend to be early adopters of new business concepts and technologies. Investment has followed in artificial intelligence (AI) and advanced analytics in every operational and customer-facing function, all connected through end-to-end (E2E) planning. New capabilities such as digital twins and immersive experiences through augmented reality (AR) enable supply chain operators to run experiments on factory lines and explore solutions to equipment problems, in a virtual setting before taking action in the physical world. Robotics have proliferated in both supply chain process automation and on the floors of factories and warehouses.

The pattern of this digital supply chain wave has also evolved for the most leading supply chains. The initial surge was one of Mode 2 experimentation, testing emerging technologies and running pilots to see what worked and brought value. It was constrained by a more limited set of available solutions and typically led by individual functions within the broader supply chain organization. Last year, the digital theme for these leading companies centered on scaling winning solutions in the business. Some companies, such as P&G, Cisco Systems and PepsiCo have worked toward the goal of E2E synchronization from point-of-demand back upstream through manufacturing and supply. For many, this still meant scaling up within individual supply chain functions such as manufacturing, warehousing or customer service, to improve local performance. These first two phases of digital supply chain adoption also triggered the early majority to follow suit, in part due to a fear of missing out or falling behind in capabilities.

What is coming into focus now, for those furthest along in the journey, is a return to the fundamental concept of business-led digital transformation — understanding and elevating customer needs and the operational performance points required to support them. This is accomplished by working backward from those requirements to the process and technological transformations that will enable them. Keep in mind that “transformational” innovations that are Mode 2 don’t convert to “timely” ROI right away. Often, “optimization” tends to deliver more immediate ROI.

In addition to automation and augmentation in operations, many of the Supply Chain Top 25 also have some form of connected products in their portfolios to increase the value-add of customer offerings. These investments are often made as part of rethinking the larger business model.

It is not lost on most in the supply chain profession that this digital transformation has been socially disruptive. A recent SCM World, A Gartner Community’s future of supply chain report reveals that...
about three-quarters of companies expect at least partial automation of planning and manufacturing and more than half see similar changes coming to the source, deliver and customer service functions, by 2025. (See “Supply Chain 2025: The Future of Work.”) This changing nature of work and skills has created an expensive war for specialized talent and roles (e.g., data scientists). While this trend is attention-worthy, the larger issue relates to reskilling and upskilling the existing workforce to develop, use and partner with new digital solutions in their day-to-day jobs.

For the most advanced, or perhaps most enlightened supply chain leaders, there is a broad-scale, socio-digital evolution in progress. Beyond the academies, experience-based training and messaging on how supply chain jobs are becoming more value-added and interesting, there is a community-based approach to talent management. Many of the Supply Chain Top 25 companies have close relationships with universities to shape curricula and create a pipeline of skilled candidates. Others have stepped more broadly into partnerships with local secondary schools, community colleges, governments and employers to foster a healthy labor ecosystem for everyone involved. The next challenge for most supply chains will be to transform their cultures to enable these future-ready workforces to drive larger innovations.

Inside the Numbers

Supply Chain Masters: And Unilever Makes Five

In 2015, we introduced a new category to highlight the accomplishments and capabilities of long-term leaders. We refer to these companies as Supply Chain “Masters” and define them as having attained top-five composite scores for at least seven out of the last 10 years. To be clear, this category is separate from the overall Supply Chain Top 25 list, but it is not a retirement from being evaluated as part of our annual research. To the contrary, if a “Master” company were to fall out of having a top-five composite score for long enough, it would lose this designation and be considered as part of the Supply Chain Top 25 ranking in the same way as any other company in our study.

All of last year’s Masters, Apple, P&G, Amazon and McDonald’s, qualified for this category again this year and were joined by longtime supply chain leader Unilever (see Figure 2).
Apple

Apple posted another record year with revenue increasing more than 15% annually, supercharged by its services businesses which grew north of 30% year over year. Apple continues to invest in advanced chip and component design and uses engineering and supply chain as levers to orchestrate the delivery of customer solutions across a wide array of hardware, software and service partners. The Silicon Valley icon has fielded a high-powered sustainability team currently focused on driving improved visibility and performance on environmental, social and governance issues beyond its first-tier supply base. Apple has reduced its carbon footprint 35% since 2015, ramped product take-back programs and focused on safer chemistry in manufacturing. The supply chain community continues to recognize Apple’s leadership, awarding it a top-five peer vote score again this year.
P&G

Perennial CP leader P&G continues to be represented in the Masters group this year, posting its ninth top-five composite score in the past 10 years.

P&G continues to evolve its already-impressive digital capabilities and digital value chain. P&G recognizes that the digitization and automation of operations can accelerate synchronization and drive productivity. Some of these digital capabilities include:

- Using algorithms to automate repetitive decision-making activities
- Advanced dashboards for quick and complete decision making
- Utilizing a next-generation warehouse management system (WMS) and enhanced automation in warehouses

P&G’s customers’ requirements continue to evolve at a rapid pace. To keep pace, segmented supply chain strategies tailored to replenishment streams and customers have been put in place. Segmentation allows it to move away from a “one-size-fits-all” approach to a more customized, regionally based logistics approach. It is also building strong ecosystems by strategically colocating key suppliers on-site or near-site to enable just-in-time material delivery. P&G is also looking to speed decision making by moving decision making closer to the geographies and countries it serves.

The requirement to support speed is on display at P&G’s new 2.5 million square-foot factory of the future in West Virginia. The facility will use advanced manufacturing technology platforms, robotics, automation and digitization to set a new standard of efficiency. This will slash the wait time between orders to retail shelves down to as short as one day and a one-day’s drive away from 80% of the East Coast of the U.S.

Sustainability continues to be a focal point for the company through its Ambition 2030 vision. With production increasing 13% since 2010, P&G has successfully decoupled that growth from its environmental footprint, achieving both absolute and production-adjusted reductions in waste, water, energy and greenhouse gas (GHG) emissions. While containing multiple CSR facets, key goals include powering all plants with 100% renewable energy, and zero consumer and manufacturing waste going to landfills. Currently 91 P&G sites (82%) send zero waste to landfills — 86% of waste is reused or recycled leading to $2 billion in savings and revenue since 2008. In addition 100% of P&G’s Fabric and Household Care (F&Hc) Innovation Centers in North America utilize renewable electricity from wind.

Amazon

Once again, Amazon lands in the Masters group scoring in the top five of our study for the ninth consecutive year.

Despite its size, Amazon continues an impressive streak of revenue growth, 30% in 2018 similar to 31% the previous year. With businesses as diverse as retail, technology platforms, devices and
media it's easy to forget that it started as an online book seller. Its ability to focus on the customer, a culture of innovation where every day is “day one” makes it a formidable competitor across all retail segments.

Amazon has changed the face of retail through its use of bold supply chain strategies and its deployment of innovative technologies. The combination of sophisticated information technology, an extensive network of warehouses, multitier inventory management and excellent transportation competencies makes Amazon’s supply chain one of the most efficient in the world. Its continuous efforts to deliver products to the customers in the quickest possible time are causing intense pressure for other giant players in the retail industry across the globe, changing the way organizations think about supply chain speed and service.

Amazon is not just a retail giant anymore. It produces a wide variety of products from batteries, backpacks, Bluetooth speakers, iPhone chargers to dog poop bags and more. In fact, in the near future, Amazon will include more and more product categories in its manufacturing product arsenal. Amazon recognizes that many of the third-party products it is selling to customers could be produced at much lower prices. Due to the massive volume in which Amazon operates deals, its high-volume situations lend themselves to low-cost production. As a result, the manufacturing sector of Amazon is making it financially stronger and grabbing market share from many manufacturing companies. This combination of manufacturing to support its retail operations provides Amazon with an important revenue growth opportunity.

CSR continues to be an opportunity area. One interesting collaborative project was Amazon’s collaboration with P&G to redesign Tide’s packaging. The team was challenged to turn the Tide bottle into a box. The box would serve as its own shipping container, have a more concentrated formula and reduce package waste. The result is the new Tide Eco-Box that uses 60% less plastic than the comparable bottle version and 30% less water in the product. The new box is also four pounds lighter.

**McDonald’s**

McDonald’s enjoys its second year in the Masters category after eight consecutive years of scoring in the top five of our study.

McDonald’s supply chain success is, in part, its ability to orchestrate execution across a diverse ecosystem. The supply chain team promotes and acts as the conduit between outsourced vendors, suppliers, corporate stores and franchise partners. It uses council meetings to collaborate with suppliers on new product innovation and technology, as well as on plant safety.

With its size, finding and creating efficiencies is paramount. One focus area has been restaurant backrooms, and identifying the appropriate future configuration and processes. One goal is to eliminate all supply chain activities from the restaurant, while providing the supply chain network the ability to eliminate latency in the transaction and improve order accuracy. Focusing on backroom efficiency should lead to decreased food waste, digital visibility and logistics improvements.

McDonald’s size also presents opportunities to scale its associate development activities. One aspect is providing associates different learning environments, such as through shadowing and
project-based experiences. The goal is to have a user-friendly online portal that provides access to the associate development program and the ability for team members to either apply for an experience or add a new experience.

McDonald’s acquisition of decision technology company Dynamic Yield reinforces its pursuit of leading digital capabilities. McDonald’s will utilize this decision technology to provide an even more personalized customer experience by varying outdoor drive-thru digital menu displays to display food options based on time of day, weather, current restaurant traffic and trending menu items. The decision technology can also instantly suggest and display additional items to a customer’s order based on their current selections.

Finally, environmental sustainability is high on the restaurant chain’s priorities. McDonald’s is using its “Scale for Good” initiative to progress sustainability issues across the industry. One example is the NextGen Consortium and Cup Challenge in 2018, McDonald’s joined Starbucks as a founding partner of the NextGen Consortium and Cup Challenge to help fund a fully recyclable and/or compostable fiber cup solution.

**Unilever**

Dutch CP leader Unilever joins the Masters group for the first time this year, after seven consecutive years of scoring in the top five of our study.

Operationally, Unilever continues to fire on all cylinders with top-tier opinion poll votes reflecting its strong supply chain brand, solid financials and a perfect 10 on its CSR component score. It is also transforming procurement processes and operations by embedding digital capabilities throughout the E2E processes, leveraging automation, data science and machine learning (ML). The sales and operations planning (S&OP) process has also been streamlined through simplification, smart technology platforms and centralized planning services, resulting in improved forecast accuracy.

Unilever also recognizes the importance of improving both physical and educational manufacturing capabilities. It is progressing digital enabled manufacturing initiatives that include Internet of Things (IoT), advanced analytics and ML for maintenance and process control. It also introduced a manufacturing school to drive manufacturing leader skill development. The curriculum focuses on key supply chain topics that enhance leadership, technical and business skills.

Unilever continues to make significant progress with its Unilever Sustainable Living Plan (USLP). USLP focuses on the following three big goals:

- Help more than a billion people to improve their health and wellbeing
- Halve the environmental footprint of its products
- Source 100% of agricultural raw materials sustainably and enhance the livelihoods of people across its value chain

One focus area is transparency and traceability within the palm oil supply chain. Unilever’s goal is to have 100% traceability to palm oil mill and plantations by year-end 2019.
The Masters and Supply Chain Top 25 Lead the Way With Lessons for All

Apple, P&G, Amazon, McDonald’s and newly named Master Unilever continue to offer advanced lessons for the supply chain community. Along with the Masters category, the Supply Chain Top 25 offers a platform for insights, learning, debate and contribution to the rising influence of supply chain practices on the global economy (see Table 1).
Table 1. The Gartner Supply Chain Top 25 for 2019

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Peer Opinion(^1) (162 voters) (25%)</th>
<th>Gartner Opinion(^1) (38 voters) (25%)</th>
<th>3-Year Weighted ROA(^2) (20%)</th>
<th>Inventory Turns(^3) (10%)</th>
<th>3-Year Weighted Revenue Growth(^4) (10%)</th>
<th>CSR Component Score(^6) (10%)</th>
<th>Composite Score(^6)</th>
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<td>1</td>
<td>Colgate-Palmolive</td>
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<td>347</td>
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<td>6.5%</td>
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<td>1.2%</td>
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<td>1.2%</td>
<td>8.00</td>
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<td>518</td>
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The Top Five

Moving up three spaces is new No. 1, Colgate-Palmolive. This was based, in part, on impressive return on assets (ROA) performance (19.9% three-year weighted average) and maintaining a perfect 10 on its CSR component score.

However, financial performance alone did not land it the top spot. Colgate-Palmolive recognizes the importance of an aligned organization. Through its B-Sharp operating principles it is building a business-first mindset that is enabled by new technologies, enhanced decision making and leadership capabilities. Colgate-Palmolive is also using an E2E control tower to provide daily visibility, leading to increased collaboration and dynamic decision making.

Finally, impressive work continues in the CSR arena with initiatives focused on areas such as product transparency, sustainable packaging, water stewardship and responsible sourcing.
**Inditex**, best known for its Zara brand, held steady, landing at No. 2. One tenant of its success is its ability to consistently demonstrate logistics best practice around its steady-state operation. It also focused on investments to drive innovation and support the growth plans of the business. Logistics continues to be a key area of leadership for the business, leveraging an extended and connected network of partners to drive rapid time from design to shelf within a fashion season.

Supply chain segmentation is a core competency. Twenty to 30% of products are fast-fashion, fast-launch products with agile supporting supply chains. The remainder of the product portfolio is not fast-fashion and follows a more traditional apparel supply chain process.

Highly successful integration of online and physical retail operations enabled its extensive RFID initiative — with all products, in all Zara stores globally now tagged. This is a critical enabler of online growth, particularly with its deployment of same- or next-day delivery in all key e-commerce markets globally.

Inditex also continues to prioritize sustainability and ethical sourcing, although it may not be quite as advanced on this front as others in the Supply Chain Top 25 ranking. Its “Join Life” clothing line is based on the use of sustainable raw materials and production processes. Additionally, Zara has made public commitments to repurpose wasted material and develop new recycling methods and technologies by 2020.

Based on positive community opinion and a top CSR score, **Nestlé** jumps up four spaces to No. 3. Nestlé’s supply chain plays a key role in ensuring supply and generating demand. Two focus areas, in particular, are product availability and quality for both the on-shelf and online shopping experience.

With the direct-to-consumer business on the rise, personalization becomes a differentiator. Nescafe “your way” allows customers to select quantity (50 or 100 pods), choose flavors to meet personal taste and even add a personalized message. Personalization can also apply to establishing international operations. Nestlé Nutrition provides a fast development module (self-contained manufacturing pod) that can quickly serve new markets. It provides a faster time to market, affordable alternative for low volume requirements and flexibility to address local packaging formats.

Food and beverage leader, **PepsiCo** jumped four spaces to land at No. 4. A well-rounded portfolio of solid financials, industry recognition and solid CSR scores contributed to this jump.

PepsiCo continues to be a leader in driving innovation and capabilities within the direct store delivery (DSD) supply chain. It utilizes demand sensing and ML to drive improved forecasts and create agility across its large DSD network.

PepsiCo is also an advanced adopter and advocate of technology (e.g., investing in supply chain automation such as robotic unloading, material handling and each picking). Innovation also extends further into the supply chain with initiatives such as smart packaging, which is the evolution of the traditional UPC and the use of beacons for asset tracking and measuring consumer engagement.
Finally, work with Danimer Scientific to develop biodegradable film resins and piloting bioplastic bags made with renewable resources demonstrate its commitment to CSR initiatives.\textsuperscript{12}

High-tech leader \textbf{Cisco Systems} rounds out the top five companies this year on continued strength in CSR and community opinion polls. 2018 was a challenging, but successful year for Cisco’s supply chain. It managed a return to growth and the largest product transition in company history, all while facing significant supplier component constraints. Cisco is transforming its approach to customer solutions from being product-centered to offer-based. A key pillar of the customer offer is security and the company continues to operationalize this capability, putting it on par with cost, quality and service. Another important dimension of Cisco’s offer is circularity. Its supply chain is leading an enterprisewide circular economy effort, with a goal to attain 100% product takeback by 2030. The high-tech leader continues to experiment in blockchain, IoT, AI and ML in supply chain. In one case, it is applying ML to better understand the connection and root causes of disparate issues in product testing.

\textbf{Movers and Shakers: No. 6 Through No. 15}

This section of the ranking offers an impressive array of household names and a new entrant, all providing notable contributions to the discipline of SCM.

Chip giant \textbf{Intel} clocks in at No. 6. Over the last decade, Intel has transformed into a customer-centric company. Its supply chain team was a key driver of this shift and, most recently, it has reorganized to centralize the organization and move it on par with product design at the executive committee level. While Intel has been busy improving customer service, quality and reliability, its underlying markets have also evolved. It has moved from computing to data-centric businesses in cloud computing, automotive and telecommunication infrastructure, enabling record revenue north of $70 billion. As a component supplier, Intel was part of the supply constraints faced by the high-tech industry in 2018. It operated with zero working inventory for most of the year and relied on sophisticated automated planning tools to wring maximum capacity out of its factories. Likewise, Intel’s sourcing teams are getting creative and expanding their purview to areas like chip design services and employee healthcare.

Jumping seven spots to No. 7, is high-tech bellwether \textbf{HP Inc.}, based on solid financial performance and a perfect CSR score. HPI’s CSCO holds a dual role as CIO, and is focused on creating a transformational supply chain architecture that includes a unified ERP and planning suite, and a logistics control tower that can adapt to real-time changes and enable precise customer deliveries. HPI’s supply chain analytics teams are recasting business intelligence tools based on an improved data foundation and new digital value chain connections with manufacturing and logistics partners, suppliers, and customers. The company is also focused on reducing human touchpoints in factories through the use of robots, automated guided vehicles (AGVs) and drones. 3D printing is a key growth market and supply chain uses its own machines to print hundreds of parts for its latest equipment. It drives a similar circular supply chain approach in traditional printing through the use of recycled cartridge plastics and packaging cardboard.

Prominent healthcare conglomerate, \textbf{Johnson & Johnson}, rocketed up 10 positions to No. 8 based on year-over-year improvements in every scoring component of the ranking. J&J’s supply chain team continued to drive improved performance through three North Star initiatives — transforming
the customer experience, and shaping the portfolio and manufacturing for the future. These allow it to keep pace with broader healthcare market shifts toward homecare, clinics and personalized medicine. J&J’s improvements in customer experience point toward the needs of a diverse set of businesses, ranging from new e-commerce capabilities for consumer products to an advanced case management portal for its medical devices business. Shaping the portfolio has meant refreshing consumer brands, reduced SKU complexity, optimized packaging and leveraging digital twins to model changes to manufacturing facilities. J&J has implemented other advanced manufacturing capabilities such as robotics, autonomous vehicles, 3D printing and real-time product quality status using integrated IoT sensors.

**Starbucks** moved up one slot and cracked the top 10 for the first time, landing at No. 9. One reason for this is impressive financials, with a three-year weighted average return on assets (ROA) of 19.3% and a revenue growth rate of 9.0%.

However, the financials alone don’t tell the whole story. Starbucks is also focused on growth and sustainability. Growth is enabled by building meaningful partnerships and utilizing a strong logistics and/or a third-party logistics (3PL) partner network to help drive the global growth. The partnership with Chinese giant Alibaba is particularly interesting. Starbucks and Alibaba have announced a retail partnership that will enable a seamless “Starbucks Experience” and transform the coffee industry in China. It will also integrate multiple platforms to co-create a virtual Starbucks store, providing an even more personalized online Starbucks Experience for Chinese customers.

Sustainability remains front and center at Starbucks. By 2025, the company will have 10,000 Greener Stores globally, encompassing existing stores, new stores and renovations. These Greener Stores will be held to performance-based standards that focus on powering U.S. and Canada stores with 100% renewable energy, using technology that is estimated to save 25% to 30% on energy and water use.

Footwear and apparel leader, **Nike** lands at No. 10. The company continues to build on momentum from last year in the areas of fulfillment lead-time reduction and e-commerce sales growth.

One approach is Nike’s “Express Lane” strategy designed to cut lead times in half and drive double-digit growth in key cities. The program combines rapid prototyping with 3D and digital printing to create supply chain agility. An example was the LeBron James move to the Los Angeles Lakers and the ability to cut jersey lead times in half.

Enhancing digital capabilities is also a key strategy for Nike. The company is coordinating a wave of new efforts to wring every bit of data out of its global sales. Nike is investing significantly in digital demand sensing, consumer data and analytics, connected inventory, digital product design and creation, a digital content engine, and a new enterprise resource platform that will help unlock speed and flexibility in its supply chain.

Nike continues to build its portfolio of sustainability initiatives. With its new partnership with Iberdrola, an industry leader in the global clean energy economy, Nike will begin sourcing 100% renewable energy in Europe. Along with previously launched partnerships between Nike and
Avangrid in North America, this new power purchase agreement enables the company to reach 75% renewable energy globally.

At No. 11 is French energy management and automation specialist Schneider Electric. The company has a complex global supply chain with approximately 200 factories and 98 distribution centers in 44 countries. Its supply chain serves customer demand across many segments where over 40% of the company’s 2018 €26 billion revenue came from emerging economies. The foundation of this capability comes from its supply chain transformation program started several years ago and known in its latest evolution as the Tailored, Sustainable and Connected Supply Chain 4.0. The approach has led to a supply chain that serves 11 customer segments with five supply chain models.

Digital initiatives are foundational to the connected goal of its transformation. Customers want speed and E2E visibility, so it is aligning the supply chain to connect with them. Visibility is reducing risk as well. In one case of a fire on a container vessel, a full assessment was done in less than 24 hours — due to control tower visibility of all inventory in transit. Additional projects include IoT, blockchain, robotics, data analytics and AI.

CSR remains another pillar of its transformation. Schneider Electric has reduced energy intensity by 42% between 2005 and 2017, and carbon intensity by 35% between 2012 and 2017, which contributed to winning a 2019 Climate Leadership Award for Organizational Leadership.

U.K.-based beverage leader Diageo rose four spots to No. 12, bolstered by solid financials and a perfect 10 CSR score. The supply chain continues its focus on enabling growth through simplification and standardization. It creates one set of metrics, tracks and ranks performance against the metrics and shares best practices. It is also managing a program of more than 200 projects aimed to digitize the E2E supply chain.

Diageo embraces the concept of a customer-driven supply chain. This strategy is supported by three pillars:

- Customer excellence — establish consistent fulfillment practices by linking internal teams to a single customer goal
- Customer partnership — build strong relationships to enable revenue management
- Digital technology — use of digital image recognition to measure on-shelf availability and bots to manage order fulfillment

Technology also plays a role in supporting Diageo’s sustainability efforts. For example the use of drones with aerial image technology to drive productivity gains in agricultural activities. The efficient use of water remains high on the company’s list of CSR initiatives with its Water of Life program reaching 10 million people in India and 21 countries in Africa since 2006.

Chinese giant Alibaba makes its first appearance in the rankings at No. 13 owing to a strong combination of impressive financials and strong peer opinions. Alibaba Group Holding Limited, through its subsidiaries, operates as an online and mobile commerce company in the People’s Republic of China and internationally.
Similar to its largest Western competitor the company places logistics at the center of its supply chain strategy. In order to serve customers in as many areas as possible, Alibaba relies on 3PL providers. At first, Alibaba uses private couriers for in-service areas and China Post for countryside delivery. The company uses a data integration platform that links 3PL companies together without investing in any physical infrastructure. A growing profile in Western markets is helping to highlight the company’s logistics capabilities in areas such as segmentation of services, modes of transport and network design.

Alibaba also shows the ability to create strategic partnerships. A relationship with Starbucks will provide home delivery of Starbucks products to Chinese shoppers. A relationship with Spanish retailer El Corte Inglés provides access to Alibaba marketplaces, such as Tmall and AliExpress. In turn, AliExpress will explore the possibility of setting up physical points at El Corte Inglés shopping centers in Spain.

Longtime retail giant Walmart moves up six spaces to No. 14 buoyed by respectable financials and the highest peer opinion score, excluding the Masters companies in our rankings.

Walmart’s focus continues to be on using its size and scale to drive efficiencies in two key areas — a relentless focus on cost and excellence in operations. On the cost front, the company is focused on maximizing the use of its impressive array of assets, utilization of automation and its size to source at the lowest cost. On the operations front, activities include work simplification, optimizing systems capabilities, and increasing operational reliability. Planning has always been a strength of the company, but work continues in areas such as planning and execution alignment, and the role technology can play in that process.

The company also continues to flex its technology muscles via a partnership with Google to offer voice-activated grocery shopping. The company also offers subscription service models through its recent Kidbox partnership (seasonal suggestions for kids clothes) in addition to Beauty Box (cosmetic samples) which began in 2014.

Sustainability continues to be a focus area for the company. One focus area is the expansion of vehicle charging stations by more than doubling the existing number of stations. When complete more than 1,000 stations will be available across Walmart and Sam’s Club stores, making Walmart one of the nation’s leading electric vehicle (EV) charging station hosts.

L’Oréal, the world’s largest cosmetics company, held steady at No. 15, with solid financials and CSR scoring. Planning and integration capabilities continue to be strengths for the company and the supply chain is seen as a strategic transformation driver. For example, L’Oréal uses a unique planning tool that enables E2E visibility, gathers cross-functional teams around common processes and is an enabler of omnichannel functionalities.

Speed to market is a key to success in the cosmetics industry. L’Oréal’s Operations 4.0 focuses on new business and consumer trends to shorten time to market. This initiative focuses on innovation, leveraging connected assets and products to enhance and personalize the consumer experience. This results in deploying flexible and agile solutions in factories to cope with high-volatile markets,
accelerating the development of personalization solutions both at point of sale (POS) and through e-commerce.

While the company continues to focus on growth, sustainability remains top of mind. For example, 2020 commitments include a 60% reduction in its environmental footprint (from the 2005 baseline), 100% of strategic suppliers will be participating in supplier sustainability program and 100,000 people from underprivileged communities will have access to work.

Rounding Out the List: No. 16 Through No. 25

Swedish fast-fashion retailer, **H&M** comes in at No. 16. Despite respectable financials, headwinds continue to challenge the company, as all financial measures declined compared to last year. Challenges include re-establishing its growth mode, while at the same time changing the perspective of the supply chain, that is currently viewed internally as primarily being a logistics function.

Changing that perspective can be challenging, but progress seems as if it’s being made as the company is introducing a modular methodology focused on implementing and working with new 3PLs. In addition, there appears to be alignment on the logistics strategy including improving its e-commerce offering.

Analytics capabilities also seem to be a point of emphasis as new AI-driven capabilities are emerging to optimize logistics processes or, at a larger scale, to determine product assortments in store. Additional technology efforts include expanding RFID item tagging and exploring 3D printing.

While challenged, H&M continues to be a beacon of sustainability capabilities, demonstrated by a perfect CSR score of 10. For example, 57% of all materials used by H&M group is recycled or sustainably sourced. This is an increase from 35% in just one year, taking it closer to the goal of only using recycled or other sustainably sourced materials by 2030.

Longtime innovator **3M** lands at No. 17. 3M continues to run a supply chain that operates efficiently at scale while achieving aggressive growth targets. The company is driving toward a 200 to 300 basis point margin improvement by 2023 and the supply chain is positioned to enable that journey. It is driving efficiency in a vertically integrated supply chain that contains roughly 255 facilities, deployed across 37 countries. The supply chain is helping meet aggressive operating income goals by leveraging its supply chain center of excellence (COE), driving scale in operations, reducing manufacturing locations and investing in disruptive manufacturing technologies.

Investments in data science and analytics are accelerating POS demand generation. A recent partnership to deploy an IoT platform, allows it to develop and enable AI-based applications ranging from predictive healthcare to supply chain analytics. Incorporating data analytics has helped to get better visibility on data across the supply chain, driving efficiencies in planning production and operating the supply chain.

CSR efforts continue with 3M joining RE100, a global leadership initiative committed to sourcing 100% renewable electricity. 3M has announced an interim target to source at least 50% of its total electricity from renewables by 2025.
Danish healthcare company **Novo Nordisk** lands at No. 18. The company has incredible reach and impact by producing half the world’s insulin, providing diabetic care products for 29 million people and to market products in 170 countries.

The company’s supply chain journey continues evolving from a focus on internal flows and standardization in 2014, to full supplier integration and distribution in 2017, and a 2021 goal of E2E optimization. Its ultimate goal is to make its customer-focused supply chain be a competitive advantage.

Investing in analytics is paying dividends for the company. The company is investing in building a hybrid analytics organization to enhance decision making in the supply chain. Additionally, improved forecasting is driving increased asset utilization, improvements in accuracy and a reduction in bias.

Sustainability remains a high priority for the organization through its triple-bottom-line approach. This approach ensures that business decisions balance financial, social and environmental considerations — while always keeping in mind the best interests of the patients it serves. For example, by investing in energy optimization and shifting to renewable energy, the company has cut carbon emissions from its global production sites by almost 60% since 2004.22

Home improvement retailer **Home Depot** continues to impress moving up four spaces to No. 19, in part to impressive improvements in ROA and revenue growth. A strong customer-centric culture drives investment plans and a review of the distribution network. Through the existing network, the company has the capacity to reach 95% of the U.S. population in two days or less and 30% in one day. The company has stated its intention of investing roughly $1.2 billion into its supply chain over the next five years, believing “a great customer experience depends on great supply chain capability.”

The company continues to build on its e-commerce strengths by bringing express delivery to 35 major U.S. markets. This service provides express same-day and next-day local delivery for more than 20,000 of its most popular items to 35 major metro areas across the U.S. The new service is part of the company’s overall five-year expansion of its delivery offerings for DIY and Pro customers.

Sustainability initiatives are important to the company as well. Its three-pronged approach to protecting the climate, sourcing responsibly and reducing environmental impacts are paying dividends. For example, Home Depot turns cardboard waste into moving boxes. The company recycled 230,000 tons of cardboard in 2017 alone and has recycled over 1 million tons to date. Another example was the establishment of its Wood Purchasing Policy in 1999 which gives preference to wood from forests managed in a responsible way.

**Coca-Cola** moved up two spots to No. 20, driven by an improvement in ROA and a boost in its CSR score. One of the company’s strengths is its long-lasting relationships with bottlers to manufacture and distribute its beverages regionally. Although it’s a fully outsourced model, Coca-Cola and its bottling partners works together as one company, sharing processes, systems, metrics and talent development. Transportation improvements are becoming top of mind, targeting three distinct areas — lowering rates, optimizing loads and capacity, and improving on-time-in-full (OTIF) performance.
Analytics are a focus area, and the company implements advanced predictive and prescriptive analytics. In addition, the company is working with large retail partners to use ML for out-of-stocks, at-the-shelf, predictive analytics. Coca-Cola’s Freestyle machines are another source of data and insights. The machines capture customer flavor combinations and can provide an almost-real-time R&D mechanism for new products.

Coca-Cola continues to drive sustainability progress through its World Without Waste initiative. The goal — collect and recycle a bottle or can for each one it sells by 2030. The company also continues to make strides in reducing plastics by launching bottles made from 100% recycled materials in multiple markets.

Samsung Electronics lands at No. 21 reflecting slower growth after a sizzling two-year run. The Korean electronics conglomerate continues to push the innovation envelope with its products and supply chain. It has created a global innovation center and investment fund focused on diverse fields such as AI, digital health, IoT and autonomous mobility. It was first to market with a foldable smartphone and is working through the inevitable pains associated with new-to-world technology. Samsung Electronics is improving supplier competitiveness through a wide array of programs offering funding, education and innovative technologies. On the environmental front, it boasts a 95% recycling rate for manufacturing waste and has a goal to cut 2016 greenhouse gas emission intensity levels in half by 2020.

BASF, the world’s largest chemical company, is ranked for the fourth consecutive year and lands at No. 22. BASF has put customer focus at the heart of its strategy, with a focus on growth through innovation. Part of achieving this goal, is by moving away from a functional focus to creating an ecosystem of functions which are underpinned by supply chain services and empowered through digital technology.

BASF continues to benefit from its “Verbund” manufacturing sites, which interlink production plants, energy flows and infrastructure. This has delivered over €1 billion in cost saving and is an integral part of its sustainability strategy. BASF commitment to sustainability extends beyond its operations to engaging with suppliers and customer, and influencing the industry. Notable sustainability actions include:

- BASF has achieved certification from the Roundtable on Sustainable Palm Oil (RSPO) for 22 locations, enabling it to manufacture certified ingredients for cosmetics, cleaning agents and detergents.
- BASF has co-founded the global Alliance to End Plastic Waste (AEPW) with 30 other companies. The AEPW has committed over $1 billion with the goal of investing $1.5 billion over the next five years to prevent and manage plastic waste.

Footwear and apparel leader Adidas climbs one spot to No. 23 riding improvements in ROA and inventory turns. By most measures, the company had a very good 2018. Currency-neutral revenue was up 8%, net income increased 20% and its iconic-brand Reebok returned to profitability.

Speed is paramount in this segment of retail and the company’s first Speedfactory in Germany (a second one is planned in the U.S.) is based on fully automated, lights-off production capabilities.
These factories make customized sneakers locally, near demand and in a fraction of the time that it would traditionally take. This speed-to-market capability will be important, especially in the direct-to-consumer portion of the business which grew 36%.

Adidas also realizes the impact of logistics and the realization that this capability is a key component to future success. Exploring capabilities such as two-hour fulfillment commitments for its e-commerce business, investing in forward fulfillment sites or partnering with 3PLs reinforces those beliefs.

While the company’s CSR score dropped two points, the list of sustainability activities remains impressive. A 20% water savings at strategic suppliers (baseline 2014) and 3% absolute annual reduction in Scopes 1 and 2 CO₂ emissions at its own sites (baseline 2015) are among some of the 2020 targets.

Dutch multinational company AkzoNobel makes its first appearance in the rankings landing at No. 24. Headquartered in Amsterdam, the company creates paints and performance coatings. AkzoNobel has activities in more than 80 countries and employs approximately 46,000 people.

Innovation is a key component to the company’s success. The AkzoNobel Incubator is a small, fenced-off group of entrepreneurial people exploring technologies and ideas with the purpose of creating value. The company has two criteria for innovation — (1) it’s new, and (2) it creates value for the user and the person or company who brings the innovation to the market.

Not surprising, based on its business, mastery of colors must be a core competency. The company believes that “it’s all about matching the right colors, with the right effects, on the right surfaces, for the right customers.” Possessing a unified color story across AkzoNobel helps each of its businesses successfully launch and leverage their own stories of trending colors in the markets they serve.

For a first time entrant, a CSR score of eight is impressive. The company realizes that to make a serious and long-lasting impact, the industry must transition toward a truly circular economic value chain. This means using waste streams from other industries (e.g., working with Black Bear, a company that developed a sustainable process to regain carbon black pigment from used car tires).

German luxury automobile maker BMW held steady in spot No. 25 boosted by strong community opinion polls and a top CSR component score. BMW’s ecosystem spans 30 production and assembly facilities in 14 countries and produces more than 40 BMW, MINI and Rolls-Royce model variants. This can result in a high percentage of customized vehicle orders across the production network. To make this work, the company connects 3,000 machines, robots and autonomous transport systems into the BMW Group IoT platform, built on the cloud.

BMW launched “Electric Drive City” that used gamification to drive higher utilization of electric power by hybrid drivers. The company tested an app in Rotterdam where hybrid drivers who used electric power within the city earned points for every kilometer driven. Points could be collected and redeemed for prizes. Drivers could also use the app to check how they stacked up against others or
compete in fun contests — for example, who could collect the most points in one day or who charged their battery more often than anyone else.

BMW’s focus on sustainability is impressive. Sustainability is established as a corporate target, anchored in the BMW balanced scorecard. A notable result for BMW includes a 42% reduction in fleet emissions since 1995 and a notable target includes 25 electrified models by 2025, including 12 fully electric cars.\(^\text{27}\)

**Honorable Mentions**

Every year, there are companies that demonstrate strong leadership in demand-driven principles, but do not make the list such as:

- **DowDuPont**: The company is in the middle of a large M&A and split cycle, but the Dow Chemical supply chain team has kept their heads down and continued investing in new capabilities. These capabilities include an E2E customer logistics control tower, and a cross-functional digital fulfillment innovation lab that offers advanced analytics experts and tools to support transformation projects.

- **Nokia**: The company continues to run an impressive, customer-centric supply chain operation. It has revamped its software supply chain, moving from weeks to minutes for enablement, improving monetization opportunities. In hardware, Nokia has also been investing in integrated planning, upstream to Tier 3 and 4 suppliers, in some cases.

- **Dell Technologies**: The company requalified for the Supply Chain Top 25 in its return to public reporting. Prior to going private, Dell Technologies had been a mainstay on the Supply Chain Top 25 list, famous for its perfection of the configure-to-order model. Today, it is a much larger and diverse technology leader that is digitally automated across its value chain and intently focused on running a circular supply chain.

- **Lenovo**: Its supply chain is a case study for how to systematically move from product to customer-centricity through closed-loop processes, sensing tools and incentives. Lenovo’s Data Center Group is developing advanced customer logistics tools and digital twins to better connect product design with manufacturing.

- **Haier**: Its supply chain has developed an innovative personalized product development and fulfillment system that allows larger customers to influence product design and visually track movement through manufacturing and delivery. Haier’s U.S. subsidiary, GE Appliances, is recognized for its work partnering with schools and governments to build local manufacturing talent.

- **General Motors**: The automotive giant has implemented standard platforms for global logistics that have dramatically improved shipment visibility and saved millions of dollars. Automotive product cycles run for multiple years in design and decades in service. GM’s supply chain implemented a unified capacity management system that allows it to more accurately forecast and plan for its factories and suppliers.

- **JD.com**: Along with its rival Alibaba, JD.com is part of the backbone of Chinese e-commerce. It sells more than two million SKUs online and more than half of the Chinese population lives
within 20 miles of a JD.com warehouse. The online retailer has invested heavily in technology to create a smart distribution network that includes autonomous warehouses, robotic truck loading, advanced planning and customer service applications.

Finally, we would like to highlight some of the companies that are not on the global Top 25 list but received higher than average peer votes from the Supply Chain Top 25 peer opinion poll. These crowd favorites include Toyota, Kimberly-Clark, Target, Heineken, AB InBev, Danone, Caterpillar and Costco.

All of these companies exhibit leadership characteristics and have compelling lessons for the broader supply chain community. We look forward to sharing lessons from them and many others in the year ahead.

Supply Chain Top 25 Methodology

The Supply Chain Top 25 ranking comprises two main components: business performance and opinion. Business performance in the form of public financial and CSR data provides a view into how companies have performed in the past, while the opinion component offers an eye to future potential and reflects leadership in the supply chain community. These two components are combined into a total composite score.

We derive a Master list of companies from a combination of the Fortune Global 500 and the Forbes Global 2000. In an effort to maintain the list of companies evaluated at a manageable level, we apply a general annual revenue threshold of $12 billion.

We then pare the combined list down to the manufacturing, retail and distribution sectors, thus eliminating certain industries, such as financial services and insurance (see Table 2 for a full list of excluded industries).
Each year, we examine the methodology used to develop the ranking, with two, sometimes conflicting, goals in mind: improvement and consistency. We want to improve the methods and procedures we use, but, for the sake of consistency, in a way that builds on what we’ve done in previous years.

We are open to feedback from the broader supply chain community on the methodology we use and have refined the CSR component introduced in 2016, based in part on this feedback. The Supply Chain Top 25 is intended to be a lightning rod and foundation for vigorous debate about what constitutes leadership and supply chain excellence.

At the same time, we continually look for ways to enhance the explanatory power, applicability and extensibility of the overall ranking. The impact of brand recognition on the vote, industry variations in inventory, and inequalities between more and less asset-intensive industries are all challenges with which we grapple. These issues are multifaceted. By analyzing them, we’ve been able to make incremental changes that have allowed us to painstakingly chip away at some of the challenges, while at the same time, maintaining year-to-year consistency.

In 2018, we further refined the CSR scoring component to the Supply Chain Top 25 program (see “Corporate Social Responsibility Methodology Changes for the 2018 Gartner Supply Chain Top 25”).

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<th>Airlines</th>
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<td>Banks</td>
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<td>Crude Oil Production</td>
<td>Mail, Package and Freight Delivery</td>
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(1) Evaluation of electronics manufacturing service companies was moved from the Supply Chain Top 25 to “Market Guide for Electronics Manufacturing Services.”

Source: Gartner
We believe that adding a quantitative scoring method to the ranking program gives CSR the prominence it deserves in our definition of supply chain excellence. We also want to recognize supply chain organizations that effectively manage opportunity and risk, with a focus on the long-term view, so that profitability does not come at the expense of people or the planet. This addition aligns with what investors, customers, employees and the general public expect from companies today.

The current quantitative components of the Supply Chain Top 25 scoring system use publicly available data to calculate financial performance scores. The CSR component also uses third-party data as a proxy for assessing each company’s commitment to, and proficiency in, running socially and environmentally responsible supply chains.

Similar to last year, we used a 50/50 overall weighting for this year’s ranking: 50% for the business performance component and 50% for the opinion component.

The following three business data financial metrics and CSR metric are used in the ranking:

1. ROA — Net income/total assets
2. Inventory turns — Cost of goods sold/quarterly average inventory
3. Revenue growth — Change in revenue from prior year
4. CSR — Index of third-party CSR measures

ROA provides a general proxy for overall operational efficiency and productivity, and inventory offers some indication of cost. Revenue growth, while clearly reflecting a myriad of market and organizational factors, offers clues to innovation. Financial data is taken from each company’s individual, publicly available financial statements.

We use a three-year weighted average for the ROA and revenue growth metrics, and a one-year quarterly average for inventory. The yearly weightings are as follows: 50% for 2018, 30% for 2017 and 20% for 2016.

The use of three-year averages is in place to accomplish two goals. The first is to smooth the spikes and valleys in annual metrics, which often aren’t truly reflective of supply chain health, that result from events such as acquisitions or divestitures. It also accomplishes a second, equally important goal: to better capture the lag between when a supply chain initiative is put in place (e.g., a network redesign or a new demand planning and forecasting system) and when the impact can be expected to show up in financial statement metrics, such as ROA and revenue growth.

On the other hand, inventory is a metric that’s much closer to supply chain activity and we expect it to reflect initiatives within the same year. The reason we use a quarterly average for inventory is to get a better picture of actual inventory holdings throughout the year, rather than the snapshot, end-of-year view provided on the balance sheet in a company’s annual report.
The primary source for all publicly available financial data is S&P’s Capital IQ (CapIQ) database. In some instances, CapIQ financial reports may include standardizations to ensure consistent reporting methodology across companies.

We designed a scoring system for CSR based on our research, and input from third-party experts in CSR, a cross-section of supply chain community members and our broader research organization.

Each company has the opportunity to achieve up to 10 points for evidence of its CSR commitment, transparency and performance. The broader “business data” category reflects the more recent inclusion of the nonfinancial data captured in the CSR score.

**Opinion Component**

We find that companies that continually secure spots on the Supply Chain Top 25 have successfully shifted from the traditional disconnected approach to managing supply, demand and product to an integrated approach to coordinating plan, source, make and deliver functions across the E2E supply chain. (See “Gartner's Demand-Driven Model for Supply Chain Excellence.”)

The opinion component of the ranking is designed to provide a forward-looking view that reflects the progress that companies are making and the extent to which they demonstrate leadership through visibility in the supply chain community. It’s made up of two components, each of which is equally weighted: a Gartner analyst expert panel and a peer panel.

The goal of the peer panel is to draw on the extensive knowledge of the professionals who, as customers and/or suppliers, interact and have direct experience with the companies being ranked. Any supply chain professional is eligible to be on the panel, and only one panelist per company is accepted. Excluded from the panel are consultants, technology vendors and people who don’t work in supply chain roles (e.g., public relations, marketing or finance).

For this year’s peer panel, 162 supply chain professionals completed the voting process. Participants came from the most senior levels of the supply chain organization across a broad range of industries. There were 38 Gartner panelists across industry and functional specialties, each of whom drew on their primary field research and continuous study of companies in their coverage area.

Organizations must surpass a base threshold of votes from both panels to be assigned a numerical rank. For example, a company that had a composite score fall within the Supply Chain Top 25, based solely on its financial metrics, would not be included in the ranking.

The tables below provide a breakdown of the peer vote on the dimensions of region, industry, role and revenue (see Tables 3, 4 and 5). The regional breakdown of voters continued to be a particular emphasis for us. Until 2010, North American voters made up 80% of the total. Since that time, we continue to achieve a better balance regionally to provide a more balanced global view of supply chain leadership (see Table 3).
### Table 3. 2019 Peer Opinion Panel Composition: Region

<table>
<thead>
<tr>
<th>Region</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>38%</td>
</tr>
<tr>
<td>APAC</td>
<td>22%</td>
</tr>
<tr>
<td>EMEA</td>
<td>40%</td>
</tr>
</tbody>
</table>

Source: Gartner (April 2019)

### Table 4. 2019 Peer Opinion Panel Composition: Industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>A&amp;D</td>
<td>1%</td>
</tr>
<tr>
<td>Academic</td>
<td>13%</td>
</tr>
<tr>
<td>Auto</td>
<td>5%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>10%</td>
</tr>
<tr>
<td>CPG</td>
<td>25%</td>
</tr>
<tr>
<td>Elec</td>
<td>15%</td>
</tr>
<tr>
<td>Industrial</td>
<td>9%</td>
</tr>
<tr>
<td>Life Science</td>
<td>8%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>4%</td>
</tr>
<tr>
<td>Retail</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: Gartner (April 2019)
Table 5. 2019 Peer Opinion Panel Composition: Revenue

<table>
<thead>
<tr>
<th>Revenue</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $999 million</td>
<td>19%</td>
</tr>
<tr>
<td>$1 billion to $4.9 billion</td>
<td>22%</td>
</tr>
<tr>
<td>$5 billion to $9.9 billion</td>
<td>10%</td>
</tr>
<tr>
<td>$10 billion to $24.9 billion</td>
<td>21%</td>
</tr>
<tr>
<td>$25 billion to $49.9 billion</td>
<td>13%</td>
</tr>
<tr>
<td>More than $50 billion</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: Gartner (April 2019)

Polling Procedure

Peer panel polling was conducted in April 2019 via a web-based, structured voting process similar to previous years. Panelists are taken through a six-page system to get to their final selection of leaders that are the closest to the demand-driven ideal, which is detailed in the instructions on the voting website for the convenience of the voters. Again, we offered voters the option of sorting the list of companies in our study, either alphabetically or by industry grouping, to aid in their company selection process.

We continued including consideration of CSR practices in this year’s opinion poll voting criteria. We specify that voters consider each company’s commitment to running a supply chain that addresses social, environmental, ethical human rights and consumer concerns in its operations and core strategy.

The following is a breakdown of the voting system:

1. The first page provides instructions and a description of the demand-driven ideal.
2. The second page confirms demographic information.
3. The third page allows voters to view the company list, alphabetically or by industry.
4. The fourth page provides voters with a complete list of the companies to be considered. We ask them to choose 25 to 50 that, in their opinion, most closely fit the demand-driven ideal.
5. The fifth page asks the voters to force-rank the companies from No. 1 to No. 25, with No. 1 being the company most closely fitting the ideal listed.
6. The last page allows voters to review their final selections and submit their rankings.

Individual votes are tallied across the entire panel, with 25 points earned for a No. 1 ranking, 24 points for a No. 2 ranking and so on. The Gartner analyst panel and the peer panel use the exact same polling procedure.
By definition, each peer voter’s expertise is deep in some areas and limited in others. Despite that, peer voters aren’t expected to conduct external research to place their votes. The polling system is designed to accommodate differences in knowledge, relying on what author James Surowiecki calls “the wisdom of crowds” to provide the mechanism that taps into each person’s core kernel of knowledge and aggregates it into a larger whole.

Composite Score

All this information — the four business data points and two opinion votes — is normalized onto a 10-point scale and then aggregated, using the aforementioned weighting, into a total composite score. The composite scores are then sorted in descending order to arrive at the final Supply Chain Top 25 ranking.

Looking Ahead

As we look forward to the future of the Supply Chain Top 25, we are excited to share the latest lessons from leaders in the supply chain community and to foster a discussion with you on the definition of leadership.

The Healthcare Supply Chain Top 25 for 2019 report will publish in the second half of 2019, among a steady cadence of additional publications that offer various analytical lenses on the full 2019 global rankings. These include industry cuts that examine how the companies in a particular industry stack-up against each other and what the industry can learn from them, as well as regional cuts for Asia/Pacific and Europe, providing the same information for companies headquartered in each region. These cuts will be published throughout the remainder of the year. We will also publish a results guide listing the top ranked supply chains from each industry, as well as a summary report with links to all 2019 Supply Chain Top 25 research notes, for ease of reference.

As always, we’ll continue to field feedback and investigate new approaches for measuring supply chain leadership. Of note, we are well underway in exploring a broader refresh of the methodology for the 2020 Supply Chain Top 25. As part of this process, we will engage both our internal subject matter experts and the broader supply chain community.

Every year, we see leading companies experiment and advance their supply chain capabilities, leaving the rest of the pack further behind. As Gartner’s supply chain research organization, we remain committed to providing a platform for informed and provocative debate about supply chain leadership. In today’s uncertain and complex world, our Supply Chain Top 25 research is an opportunity to learn how the most advanced companies adapt and thrive to stay ahead of the competition. We look forward to leveraging this research to share the lessons, best practices and characteristics of leaders to inspire and challenge the entire supply chain community to new levels of performance and contribution.

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.
“The Gartner Customer Experience Maturity Model for Supply Chain Leaders”

“How Supply Chain Can Drive Better Customer Experiences”

“Guide to Aligning Digital Business and the Digital Supply Chain”

“2019 Strategic Roadmap for Moving From Functional Silos to an Integrated Supply Chain Organization”

“The Gartner Supply Chain Top 25 for 2018”

“Gartner Supply Chain Top 25 Results for 2018”

“2018 Gartner Supply Chain Top 25: A&D”

“2018 Gartner Supply Chain Top 25: Chemical”

“2018 Gartner Supply Chain Top 25: Consumer Products”

“2018 Gartner Supply Chain Top 25: High Tech”

“2018 Gartner Supply Chain Top 25: Industrial”

“2018 Gartner Supply Chain Top 25: Life Sciences”

“2018 Gartner Supply Chain Top 25: Retail”

“2018 Gartner Supply Chain Top 25: Asia/Pacific”

“2018 Gartner Supply Chain Top 25: Europe Top 15”

“The Healthcare Supply Chain Top 25 for 2018”

“The Hierarchy of Supply Chain Metrics: Diagnosing Your Supply Chain Health”

“The Hierarchy of Supply Chain Metrics: Frequently Asked Questions”

“Supply Chain Guide to Metrics Hierarchies for Manufacturers and Distributors”

“Toolkit: Use the Hierarchy of Supply Chain Metrics to Define Current- and Future-State Metrics”

“Driving Digital Business Transformation for Industry Leadership: A Supply Chain Perspective”

“Top 25 North American Supply Chain Graduate University Programs, 2018”

“Top 25 North American Supply Chain Undergraduate University Programs, 2018”

Evidence


3 Inclusive Waste Recycling Consortium (iWrc)


7 “Zero Manufacturing Waste to Landfill,” P&G.

8 “Why Does Your Tide Package Look Different?” Amazon.

9 “McDonald’s to Acquire Dynamic Yield, Will Use Decision Technology to Increase Personalization and Improve Customer Experience,” McDonald’s.


11 “Join Life Sustainability,” Zara.

12 “PepsiCo Joins Forces with Danimer Scientific to Develop Sustainable Flexible Packaging,” Danimer Scientific.

13 “Starbucks and Alibaba Group Announce Partnership to Transform the Coffee Experience in China,” Starbucks.


15 “Press Release: Schneider Electric Moves Up to #12 on Gartner’s Supply Chain Top 25 for 2018,” Schneider Electric.

16 “Schneider Sustainability Impact 2018: Nonfinancial Results Q1 2019,” Schneider Electric.

17 “Previous Next Diageo’s Water of Life Program,” WASH4Work.

18 “Alibaba Inks Deal With Spanish Retail Giant That Covers Cloud, E-Commerce Initiatives,” ZDNet.

19 “Walmart Partners With Kidbox for Subscription Service,” Retail Dive.


21 “Manufacturing Giant 3M Commits to 100% Renewable Power for Global Operations,” RE100.


24 “BASF Expands Its Production Network for Certified Palm Products,” BASF.

25 “BASF Co-Founds Global Alliance to End Plastic Waste,” BASF.

26 “It’s Full Steam Ahead for AkzoNobel’s Incubator,” AkzoNobel.

27 “BMW CO2 fleet emissions: reduced by 40% since 1995,” BMWBLOG.