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# Business Priorities 2015

## *Part One: Where Will We Go from Here?*

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Results of the Business Priorities Survey

ChainLink Research

In Association with the Supply Chain Brain

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## Introduction

Now that the hype of New Year's predictions is over, we can settle down and look a little more calmly at what is actually going on in the business community and develop a picture of the future based on research (and, at least for a little while, somewhat free of punditry).

Each year ChainLink surveys a broad swath of the business community—manufacturers, distributors, retailers, logistics providers, and solutions providers—about their business priorities.<sup>1</sup> We compare these year over year. Looking backward and forward provides valuable insights about the pace of change, what the changes are, and why those changes may be happening. And yes, we will be able to make some predictions about the future.

*The future belongs to those who believe in the beauty of their dreams.*  
Eleanor Roosevelt

## The Business: A Year of Innovation Ahead

Positively, a positive, forward-looking group of responders! Most organizations have gotten into a different groove since our last survey. We asked our respondents what their top business goals were for 2015 and innovation came out on top. This jibes with other research on increases in hiring, IT spend and investments in new products. The conversations we have been having with manufacturers and distributors also support this revitalization and entrepreneurial energy. There is significant focus on changing business models, new product introductions, and changing service models. There are a number of catalyzing forces for this, as shown through the survey data and respondents' points of view.

## The Top Goals

So what were the top business goals for 2015? As we stated, innovation came out on top. Now it's all about new products and services, growing sales, and making the brand stronger. In addition, both manufacturers and retailers want to determine how to sell higher-margin products. (We might add that you can't do that unless you have the analytics to accomplish it.<sup>2</sup>) Unlike the bargain-focused last decade of price slashing, the introduction of more modestly priced products lines, and cost cutting, the current goal appears to have become making money and growing profits. Figure 1 shows respondents' top goals.

Though there is an optimistic slant to these goals we can see that year by year managing risk<sup>3</sup> attains a higher position (which we had not seen as an important goal in the past). It appears that organizations are beginning to understand the impact that various low-level and dramatic incidents are having on the business.<sup>4</sup>

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<sup>1</sup> Although we do filter out solutions providers whose responses might bias our reporting of goals and investments.

<sup>2</sup> Read about rationalizing product proliferation in [To Have or to Hold](#).

<sup>3</sup> More on [Supply Chain Risk Management](#).

<sup>4</sup> Read [Supply Chain Risk Now](#).

### The Top Goals for 2015

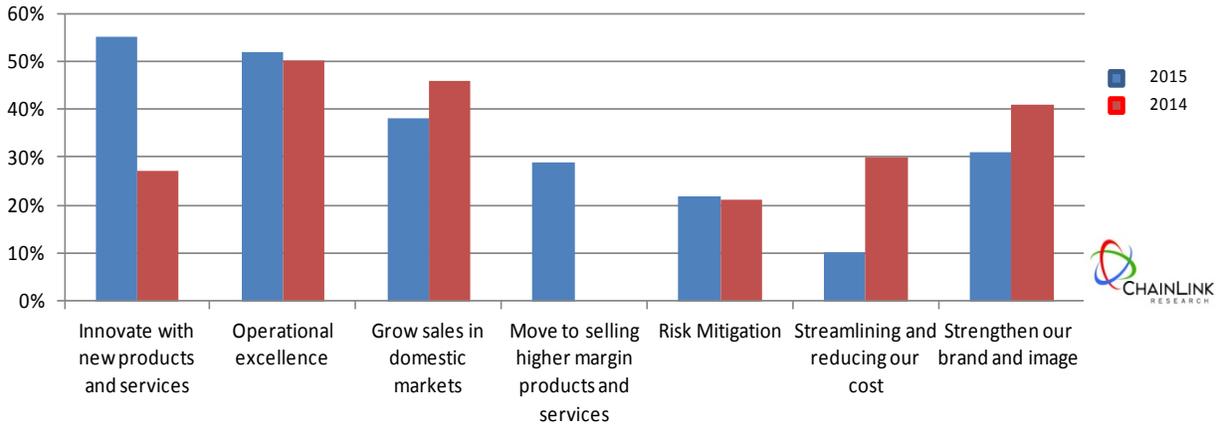


Figure 1: Top Goals: 2014 and 2015

When we talked to business people in all industries, we found that they are not forgetting 2008. In the past few years, as the economy improved, there was still some concern about how well these improvements would stick, so investments were made cautiously. But as you can see from the data, although operational excellence (and accompanying cost saving) was the top goal for many years (and still is very important), it has given way to innovation as the major goal (Figure 2). Other data in the responses will demonstrate support for this point of view.

### Business Goals for Year to Year

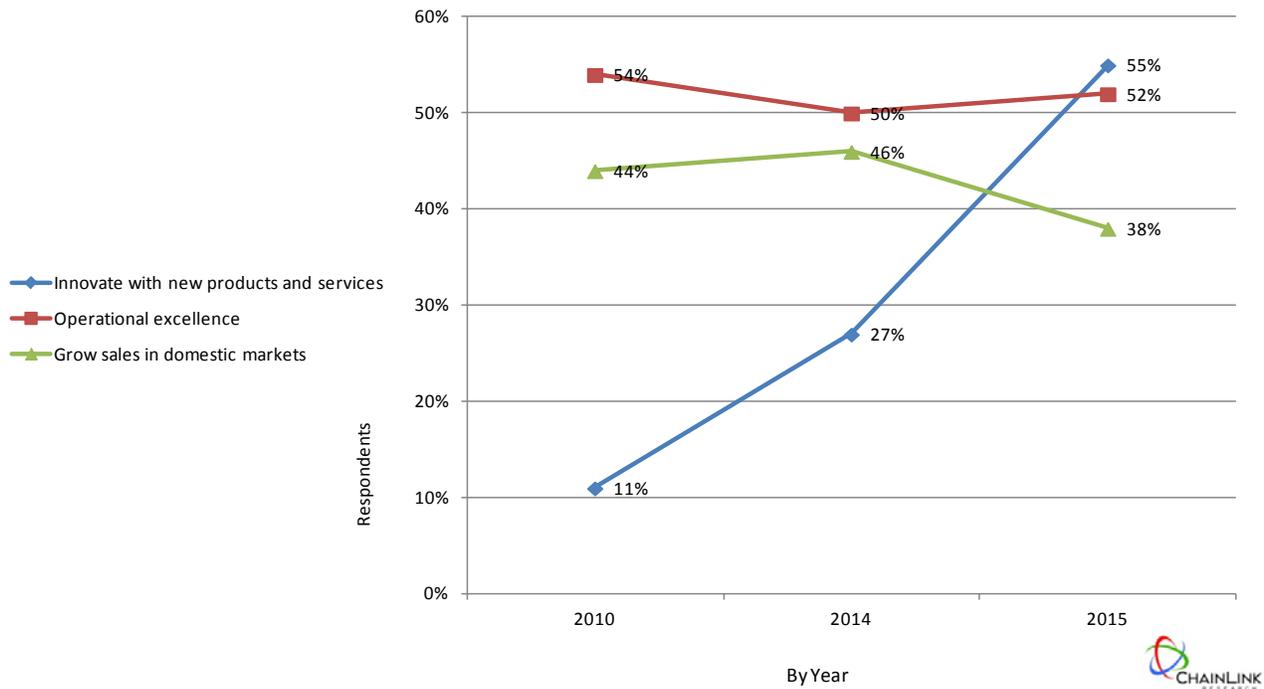


Figure 2: Changing Business Goals over Five Years: 2010 through 2015

## Top Growth Strategies

Innovation can mean many things. However, as we can see in Figure 3, for our responding companies it means investing in new products and services, entering new markets, and improving sales execution.

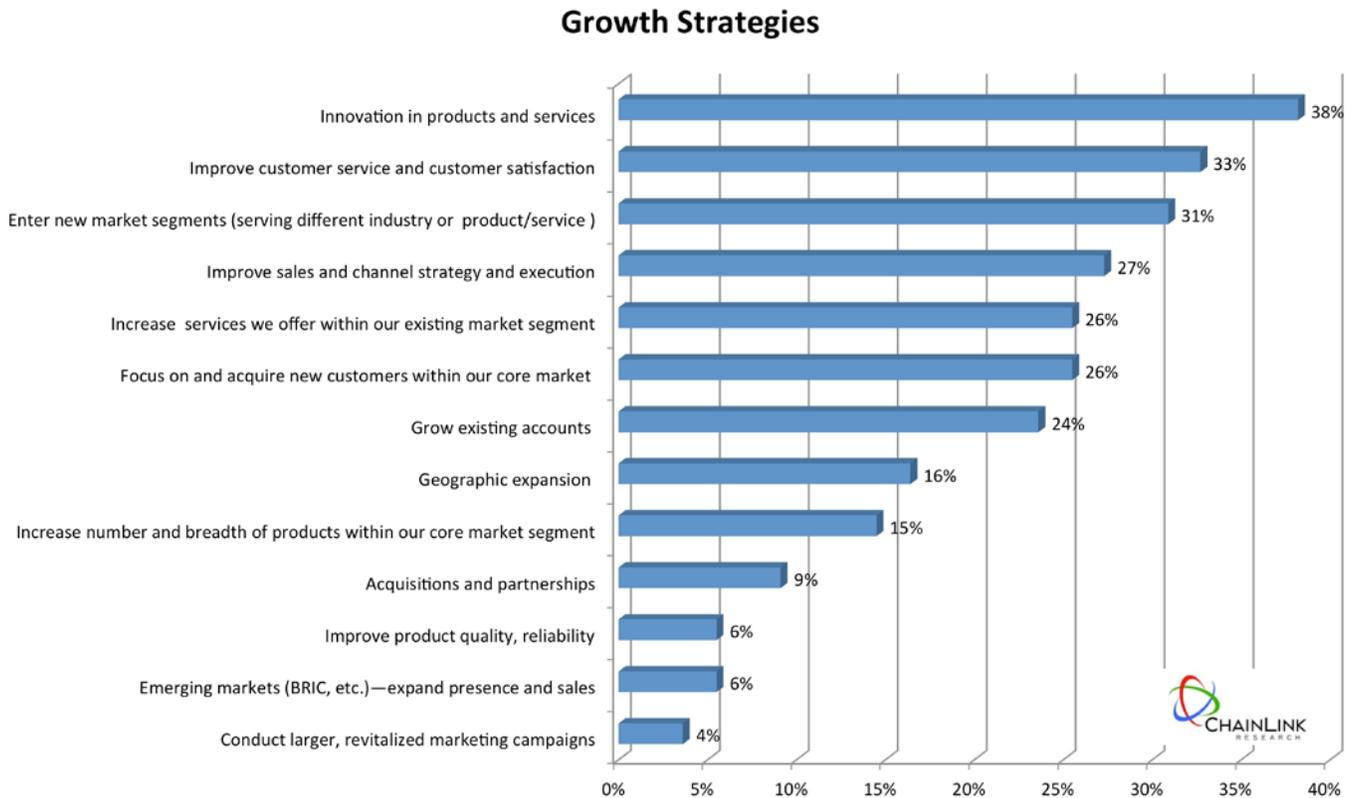


Figure 3: Top Growth Strategies

Some of these results are different from earlier years in which a more conservative approach was taken, that of striving to gain a greater share of existing customers rather than striking out into new territories.

## Top Challenges

What a difference a year—or few—make. In spite of the CNN news, business people are not only more optimistic about the future, they are putting their money where their mouth is. In Figure 4, you can see a significant shift in concern since 2014. Whereas 2014 had concerns about a weak economy, today, in 2015, it's more about keeping up with the competition.

In 2014, reducing expenses was the biggest challenge and although still quite important, it dropped over 15% to be replaced by competing and differentiating at the top. Years of cost cutting have improved many companies' cash positions. That cash has to be put to work, then, to grow the business.

### Top Challenges 2014 to 2015

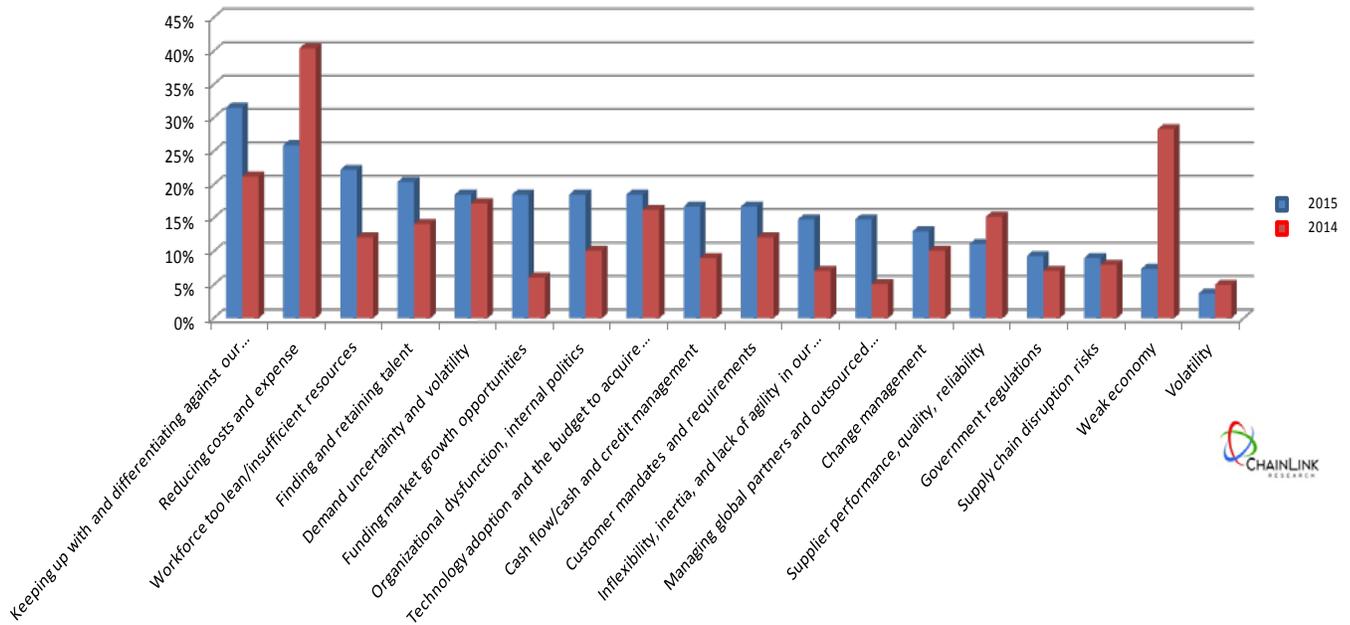


Figure 4: Business Changes 2014 to 2015

Again, the data fits in with the overall innovation, new product/service goals, and strategies. Rather than a weak economy being the concern, now it is more about hiring talent. In the comments sections, several respondents said that finding, training and rewarding top performers was critical. And some respondents were concerned about providing the challenges and upward advancements required to retain the most talented workforce.

Certainly, with innovation as the focus, having the best talent is worth the investment. The talent gap also affects other aspects of the business, as you will see later on in the areas of improvement. Many companies cite technology implementation as their area needing the most improvement. And tech companies have been growing their services to try and keep up (they also have a talent gap) and respond to those needs.

Funding business and technology initiatives has remained a top challenge for businesses for years. With so many initiatives, tech projects, business expansions, and new enterprises, businesses have to respond and invest. (Read some great cases and examples in our [case studies section](#).) Younger companies today often seek investors from private sources instead of VCs. Private Equity companies have changed their business models to become smaller, but active, stakeholders in manufacturing, distribution, and transportation sectors. They often allow companies' management and founders to retain majority ownership to continue to provide that *visionary energy* needed for growth. Larger companies seek to optimize business processes and find money in operations to fund new activities.

## The Supply Chain

Supply chain management is taking a more strategic role in many industries. Executives now understand the impact their supply chains have on the business, as well as the power that *global supply chains have on their destiny*. Supplier markets, changing buyers, and managing risk are all C-level concerns that enhance the focus on function. It's a good time to be a supply chain professional.

### Improvement Strategies for Supply Chain

Initially, we just ranked the supply chain challenges that organizations have. Many of the challenges are shared across industries sectors we discuss below. (See Figure 5 at right).

Many of these issues have risen and fallen a few percentage points from year to year, but basically the top issues tended to be the same. But not this year. Pricing Management, for example, appears near the top of the list—moving from 'not too important' to 'very important.' Of course, last year an *Internet of Things Strategy* did not even make 'the meter.' This year it takes a prominent position in the top ten. (We will come back to that topic later in this report.)

It is very instructive to see which industries might focus on which sets of challenges. For example, Supply Chain Risk was cited mostly by hard goods/industrial type manufacturers—high tech, consumer electronics, homeware, automotive and other industrials. Retailers did not seem to hold that as a priority. Yet they *were* interested in Corporate Social Responsibility.

Another area of differing responses is Auto-ID/RFID. Most of the respondents who thought that was important were CPG, Retail, and Logistics, but not too many in hard manufacturing. This concurs with other research we did on the rise of RFID in Retail.<sup>5</sup>

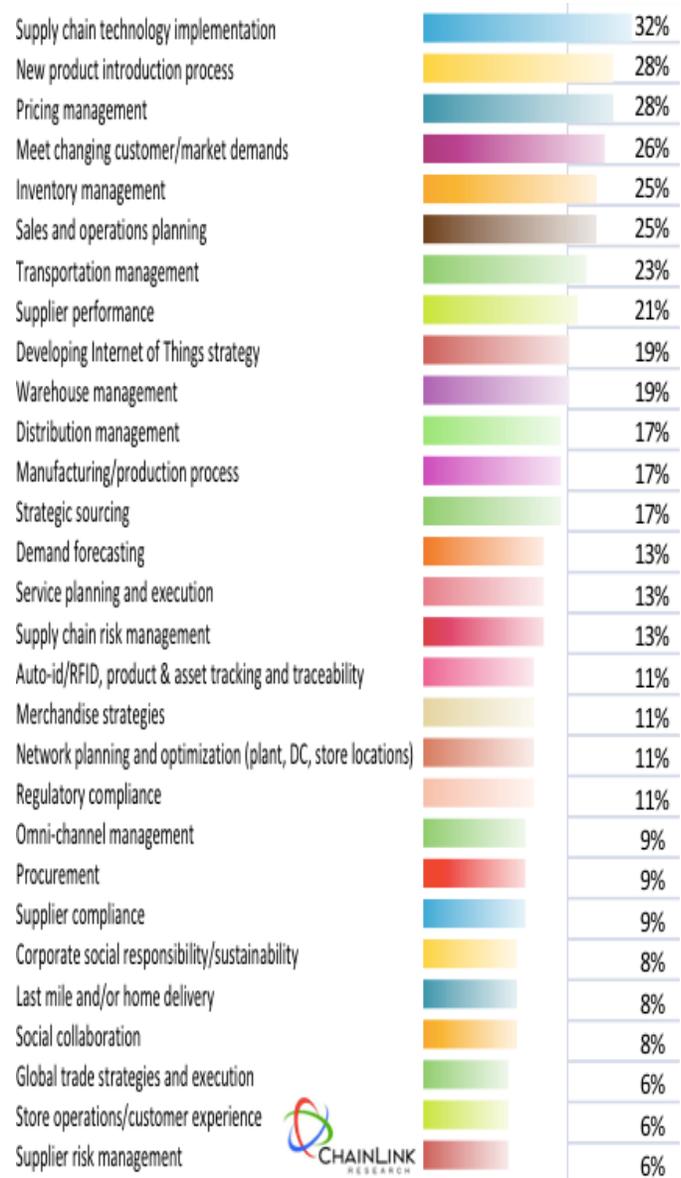


Figure 5: Challenges shared across industries

<sup>5</sup> Read [RFID Has Quietly Crossed the Chasm](#) and the [RFID ROI report for Retail](#).

## Sector Views

Looking at retail vs. manufacturing vs. logistics services, important sector trends emerge. (See Figures 6, 7 and 8 on the following pages.)

### Manufacturing

Earlier we highlighted that innovation was the top goal. So for manufacturers it makes sense that one of their top improvement areas would be new product introduction processes. Of course, the PLM CAD/CAM players have implemented rich collaboration and 3D graphical approaches to support these efforts, but it takes more—talent. The talent gap as a challenge is severe in leading-edge product manufacturing firms. Demand, and Sales and Operation Planning have always been areas of concern, but transportation management has risen steadily as an issue. Previously a lower rated issue, multiple issues associated with logistics are driving increased investment by shippers (manufacturers and distributors), as well as significant modernization of the solutions coming from the tech providers.

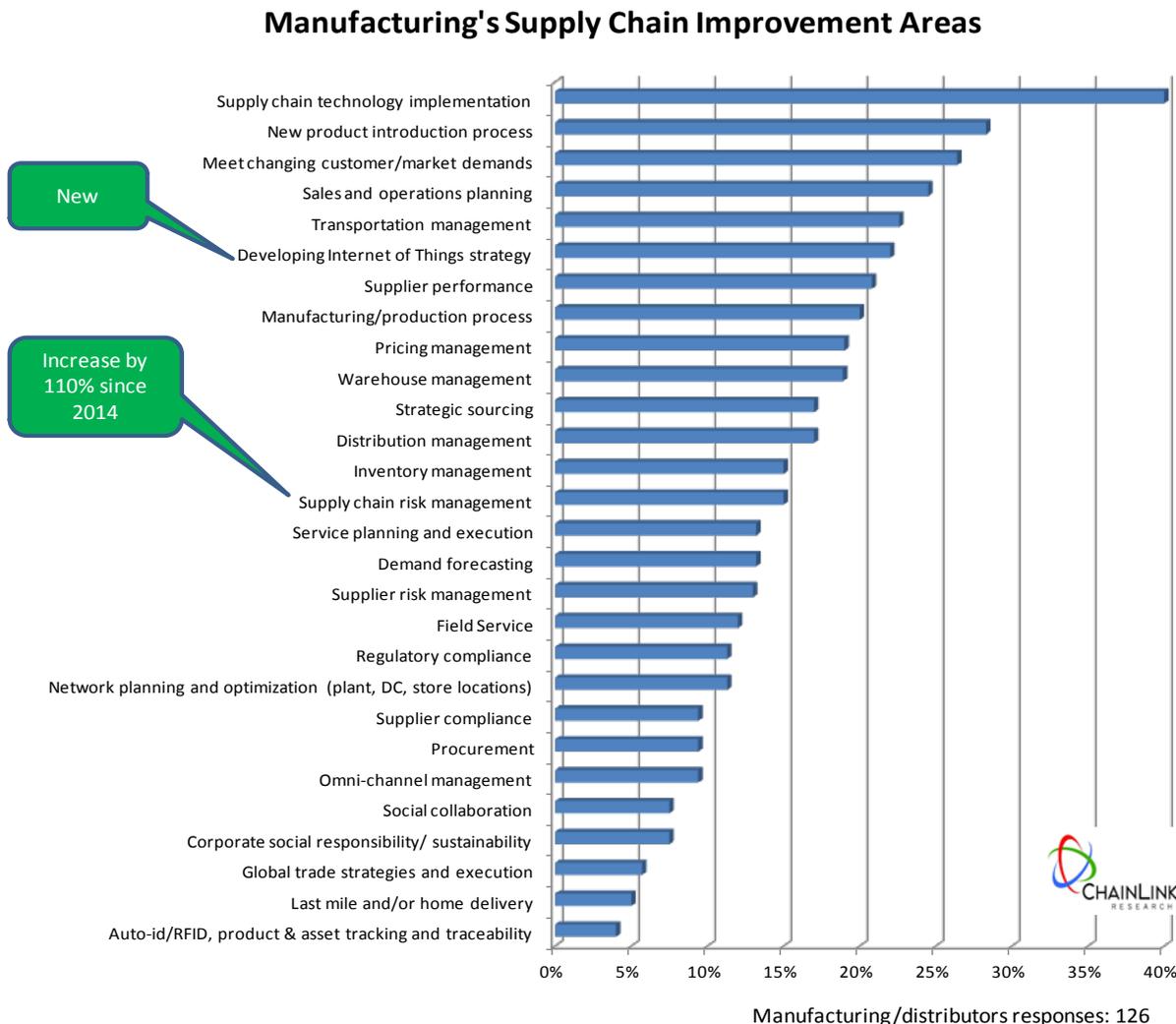


Figure 6: Manufacturing and Distribution Improvement Priorities

## Retail

Retail has seen a marked change in the last two years. Retailers who were more focused on mobile, POS, and other store operation challenges now are focused on merchandising issues.

### Retailer's Supply Chain Improvement Areas

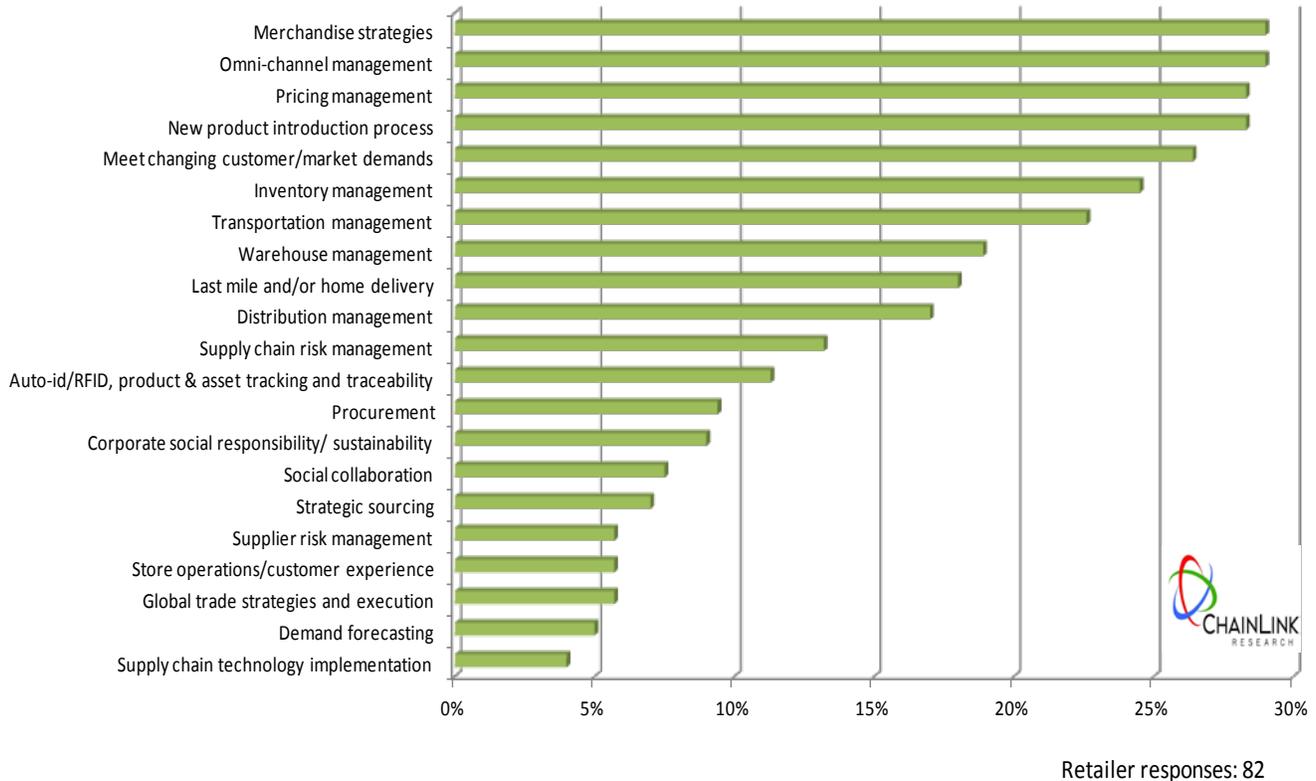


Figure 7: Retailer Improvement Areas

We know from other research we have done that the drive to refresh products, recast/update categories, create new store formats and have a viable Omni-channel strategy are top concerns. But retailers are also learning that they have a supply chain role to play, and they must understand (at minimum) or manage (at maximum) their own supply chains.

## Logistics

Logistics services: 3PLs', Brokers' and Carriers' needs have been more predictable (Figure 8). But their world is changing, too.<sup>6</sup> Capacity issues, pricing, labor management challenges, and the ever-expanding list of services they *could* provide keep these markets very competitive.

<sup>6</sup> Read [The Year of the Last Mile](#) and [Small Brokers Compete for Big Business](#)

### Logistics Industry Supply Chain Improvement Areas

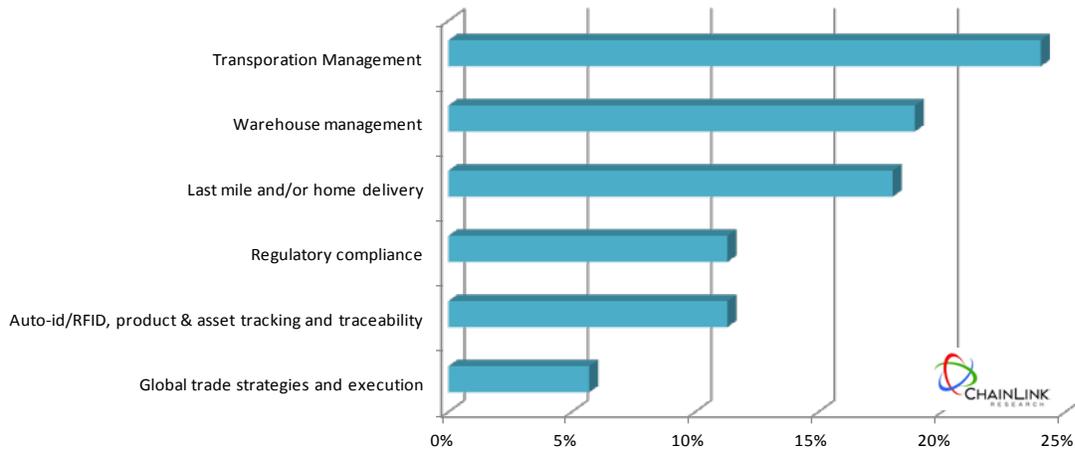


Figure 8: Logistics/Transportation Industry Improvements

Recent dynamics in the market such as the ever-increasing last-mile delivery,<sup>7</sup> as well as changing global regulations—automatic customs filing for imports in 2015 and exports in 2016—might provide some new opportunities for service providers.<sup>8</sup>

### Observation Going Forward: *Where Do We Go from Here?*

Clearly this is an inflection point. Often we don't realize it while we are going through them, but in hindsight, we see those moments. We know the expansion of the Internet was one of those. We drifted along after that with a cavalcade of events, from the dot-com bomb to real disasters such as 9/11, the financial crisis, and a general restructuring of the global economy. Relatively new players such as China, India, and others have become global players, competing for jobs, raw materials, and sales. Many of us may have struggled to survive and thrive through all that. At the same time we all have experienced fundamental changes in our work and the technology we use.

*Life can only be understood backwards; but it must be lived forwards.*  
Søren Kierkegaard

We are in an upward generational trend. We are on a march to somewhere we have not been before and we are peering into that future. Mobile, miniaturized, connected—whether we call that the mobile consumer, the Internet of Things, or something else—these powerful ideas and technologies are competing for our talent pool, and are providing tools for managing our healthcare, our business, and our lives. And a little closer to the point of this research, IT budgets are up and innovation is the focus and with new ideas, new products, new models and new services.

*The future depends on what you do today.*  
Mahatma Gandhi

In [Part Two](#) of this report we will focus on the plans our respondents have going forward and the technology and its impact on business.

<sup>7</sup> Read [Always On](#) and other reports on Home Delivery.

<sup>8</sup> [Customs Brokers and Freight Forwarders at the Crossroads](#)

## Appendix

### About the Respondents



Respondents were from many locations around the globe, with the predominant response from the US.

### Further Reading:

[Business Priorities 2014](#)

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To ponder, this quote by Martin Luther King makes us think about the future....

Where do we go from here?

**“I must confess, my friends, the road ahead will not always be smooth. There will still be rocky places of frustration and meandering points of bewilderment. There will be inevitable setbacks here and there. There will be those moments when the buoyancy of hope will be transformed into the fatigue of despair. Difficult and painful as it is, we must walk on in the days ahead with an audacious faith in the future.” – Martin Luther King, Jr.**



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