



# The Future of Supply Chain

## Panel Discussion

December 2022

**MENLO**  
VENTURES

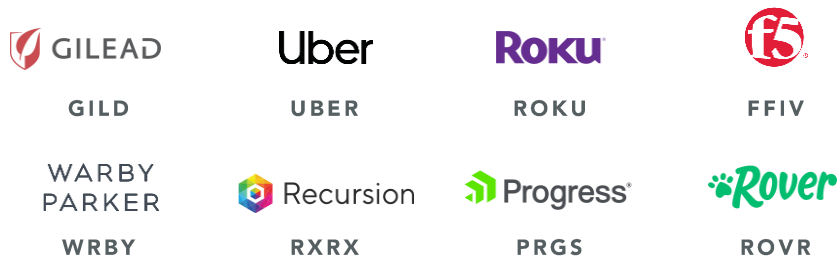
# About Menlo Ventures

Menlo Ventures invests in iconic companies from early stage through inflection, across consumer, enterprise, and life sciences



75+

public company exits



46 years  
of investing

\$5.3B+

invested

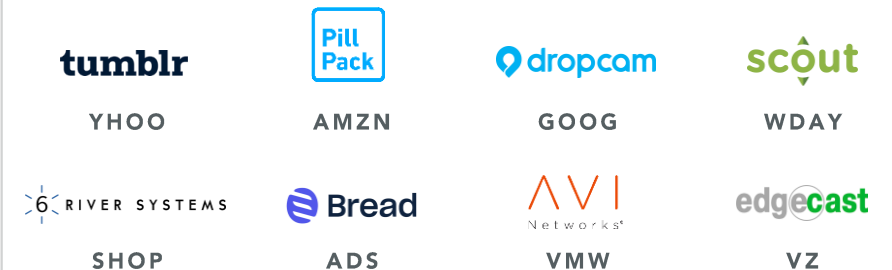
\$290B+

value of Menlo-funded  
companies\*



160+

M&A exits



# Menlo's Supply Chain Investments

Menlo Ventures has a long history of investing in next-generation supply chain and logistics disruptors



Autonomous robots for warehouse fulfillment; **acq. by SHOP**

**\$450M**



Intelligent supply and demand synchronization platform



Virtual trucking platform for owner-operators and small fleets



Rebate management software for distributors and retailers



Autonomous forklifts specialized in trailer unloading



CRM and capacity management system for freight brokers



Robotic piece-picking solution for e-commerce order fulfillment



Cloud-based strategic sourcing solutions; **acq. by WDAY**

**\$540M**



3PLS and fulfillment for e-commerce businesses

# Meet Your Panelists

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Today, we brought together a group of top industry leaders to discuss the outlook on the supply chains in the post-COVID era



**Steve Sloane**

Partner at Menlo Ventures  
Presenter



**Feyza Haskaraman**

Principal at Menlo Ventures  
Moderator



**Shereen Zarkani**

Managing Partner  
at Maersk Growth



**Michelle Eggers**

VP of NA Global Logistics  
Purchases at P&G



**Bill Driegert**

Co-founder & Head of  
Operations at Uber Freight

## A G E N D A

**Where We Were**

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Where We Are

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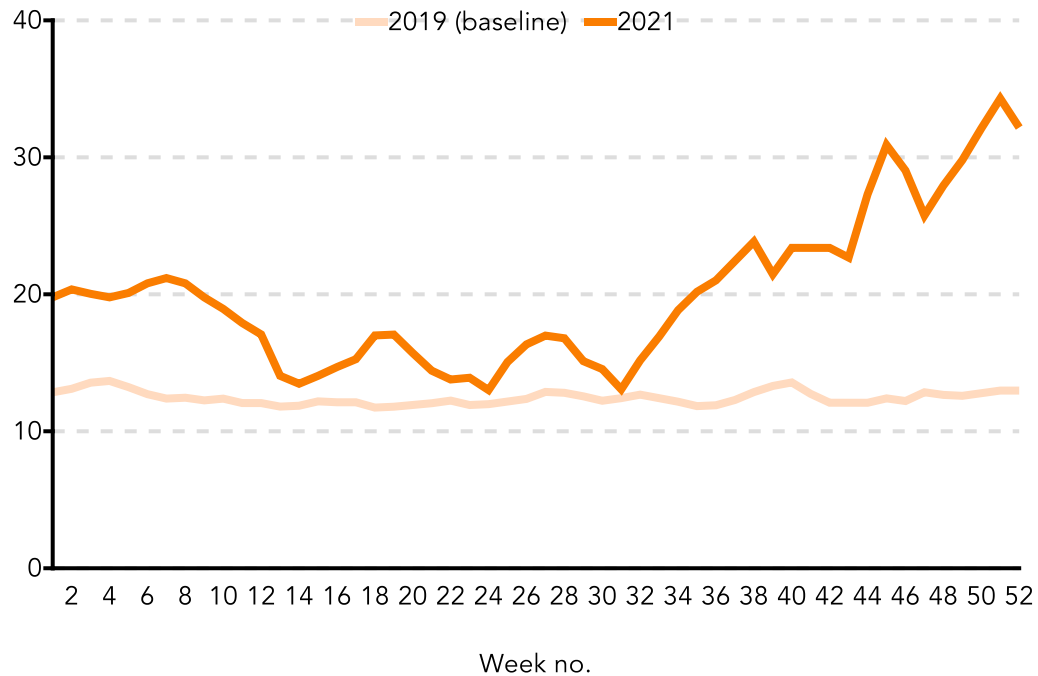
Where We Are Going

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# COVID-19 Catalyzed Significant Supply Chain Issues

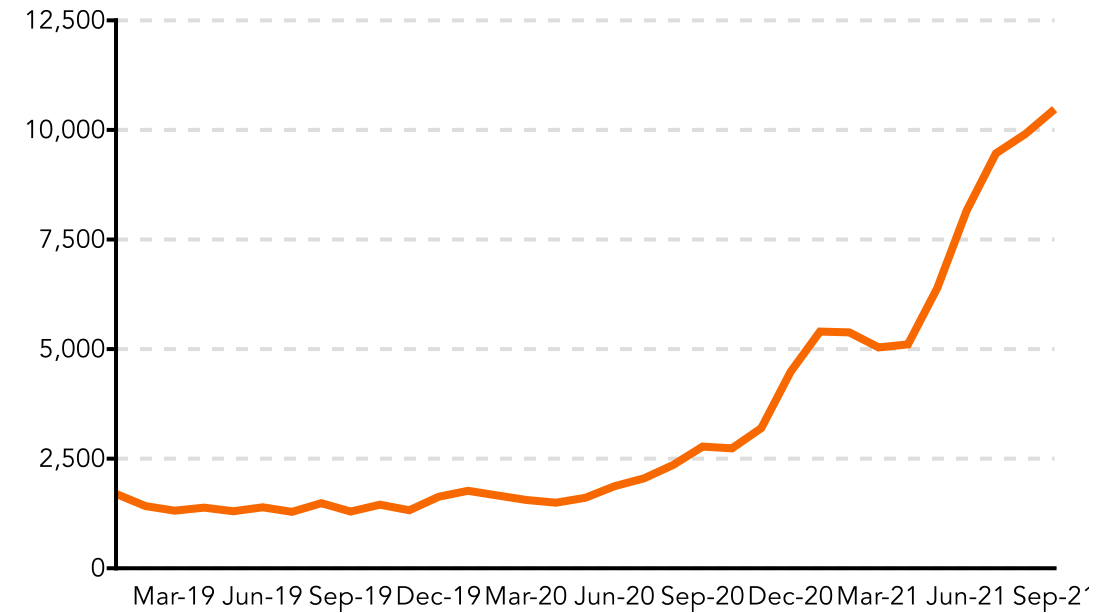
## Delays at ports

Transpacific east-bound - best case transit times  
(last port in Asia to first port in West Coast NA, days)



## Skyrocketing container prices

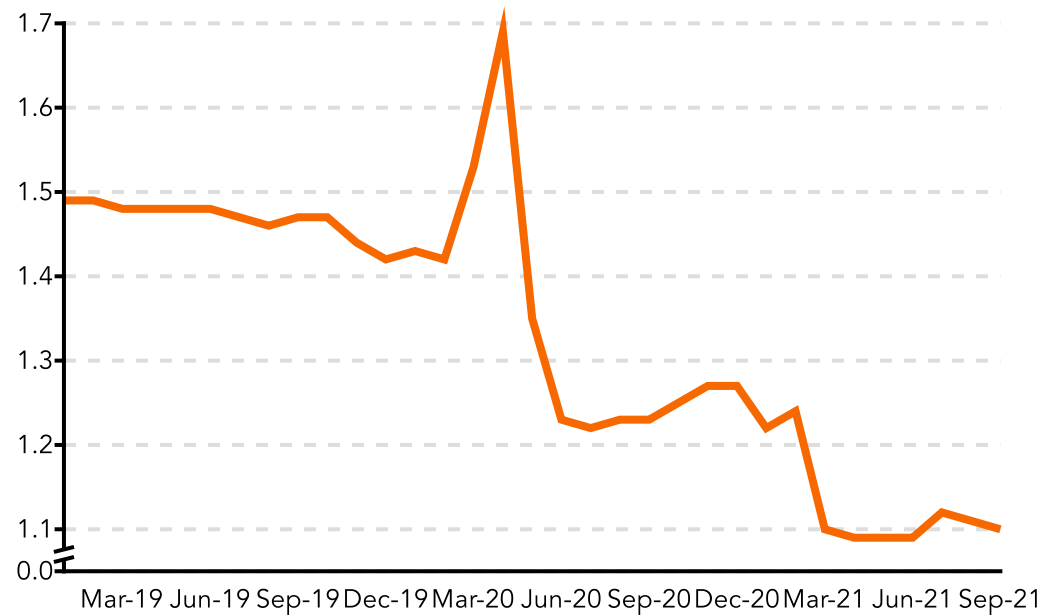
Global container freight index  
(cost of 40ft container via eight major routes, \$USD)



# COVID-19 Catalyzed Significant Supply Chain Issues

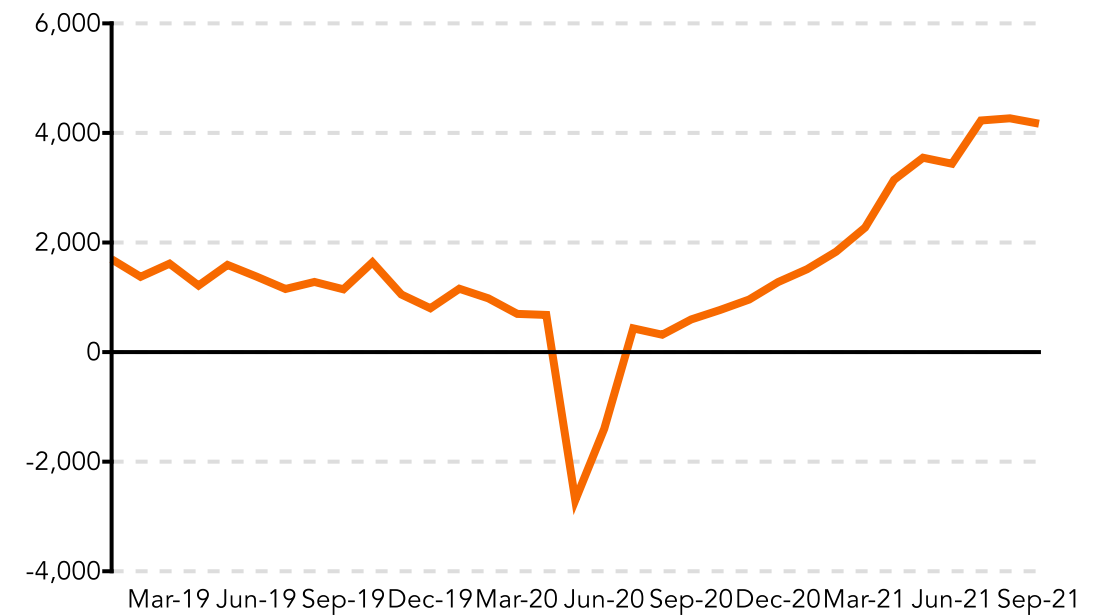
## Inventory issues

Retailer inventory-to-sales ratio  
Monthly, seasonally adjusted



## Labor shortages

Job openings vs hires gap (000s)  
Monthly, seasonally adjusted



## A G E N D A

Where We Were

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**Where We Are**

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Where We Are Going

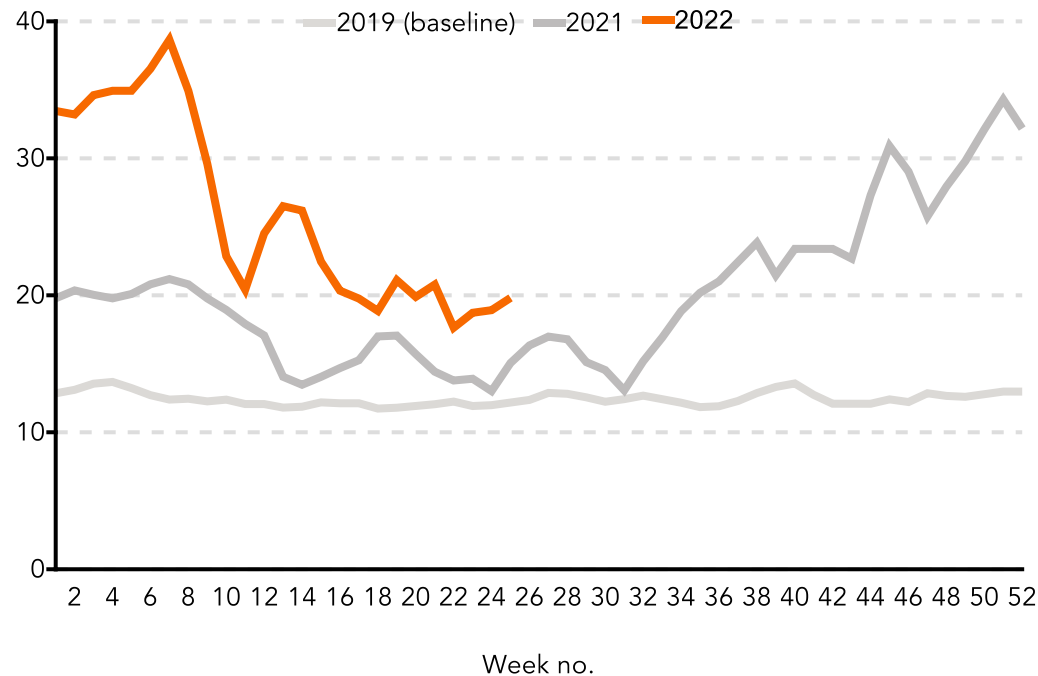
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# Most COVID-Era Supply Chain Issues Are **Now Receding**

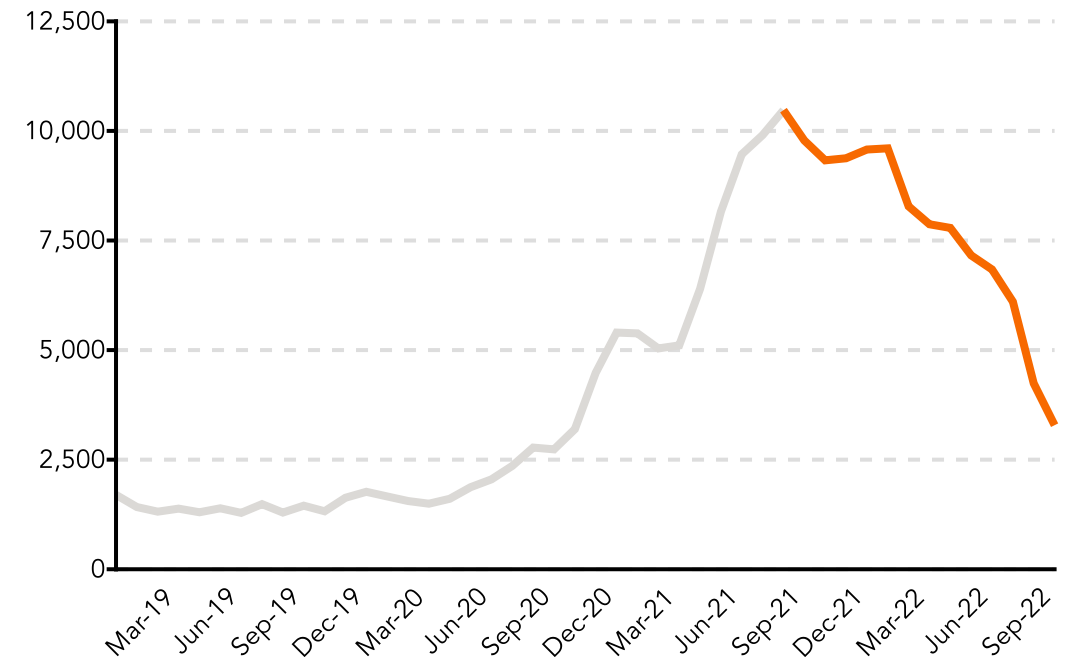
## Delays at ports are easing

Transpacific east-bound - best case transit times  
(last port in Asia to first port in West Coast NA, days)



## Container prices are coming down

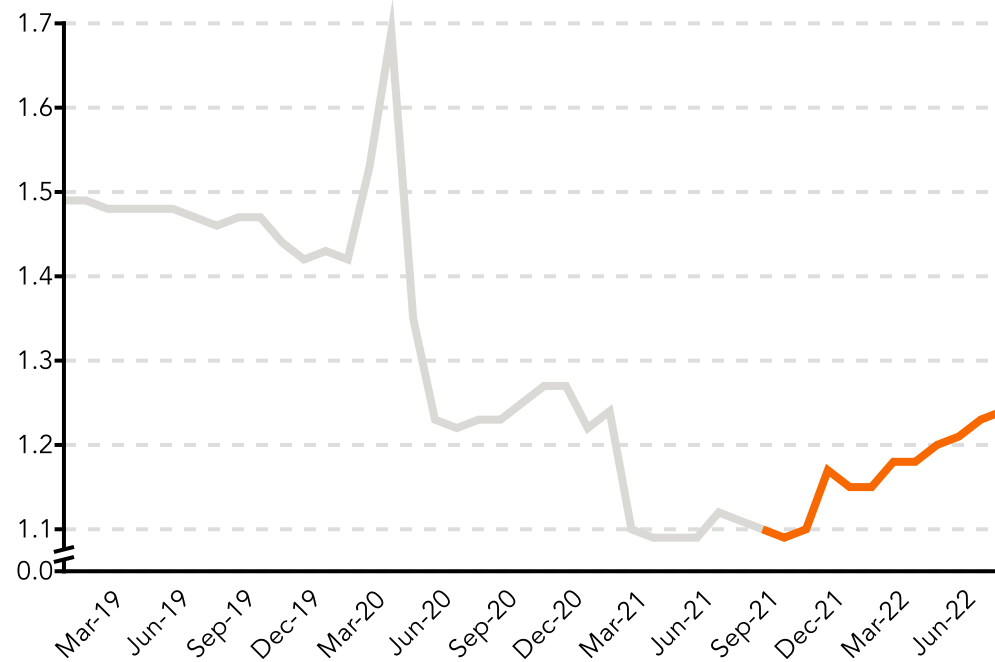
Global container freight index  
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# Most COVID-Era Supply Chain Issues Are **Now Receding**

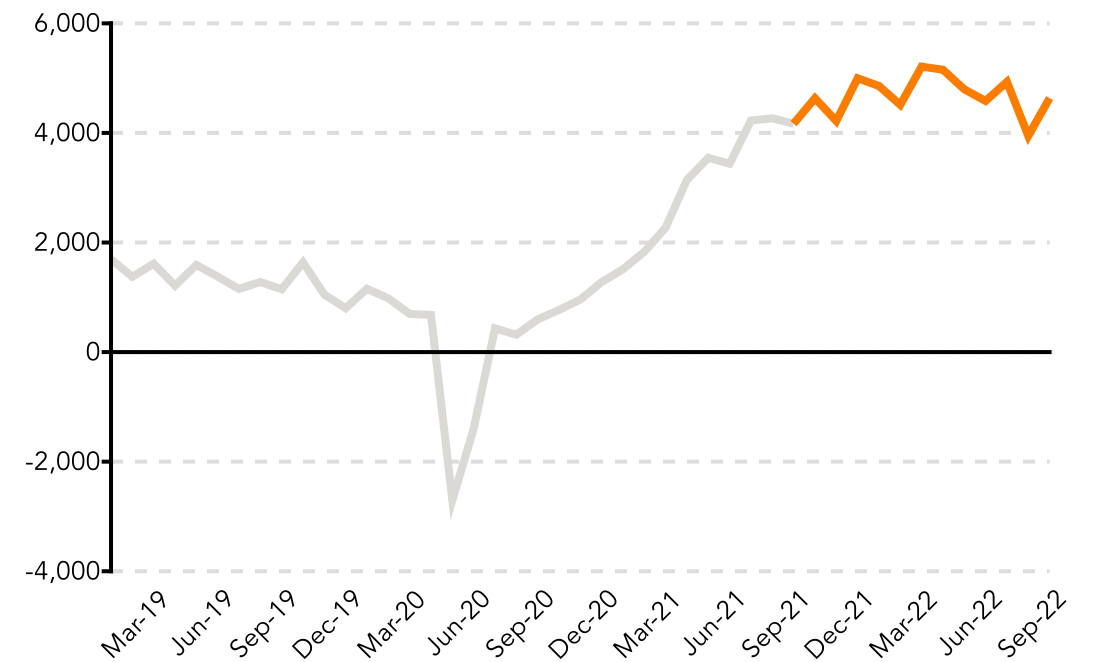
## Inventory is rebuilding

Retailer inventory-to-sales ratio  
Monthly, seasonally adjusted



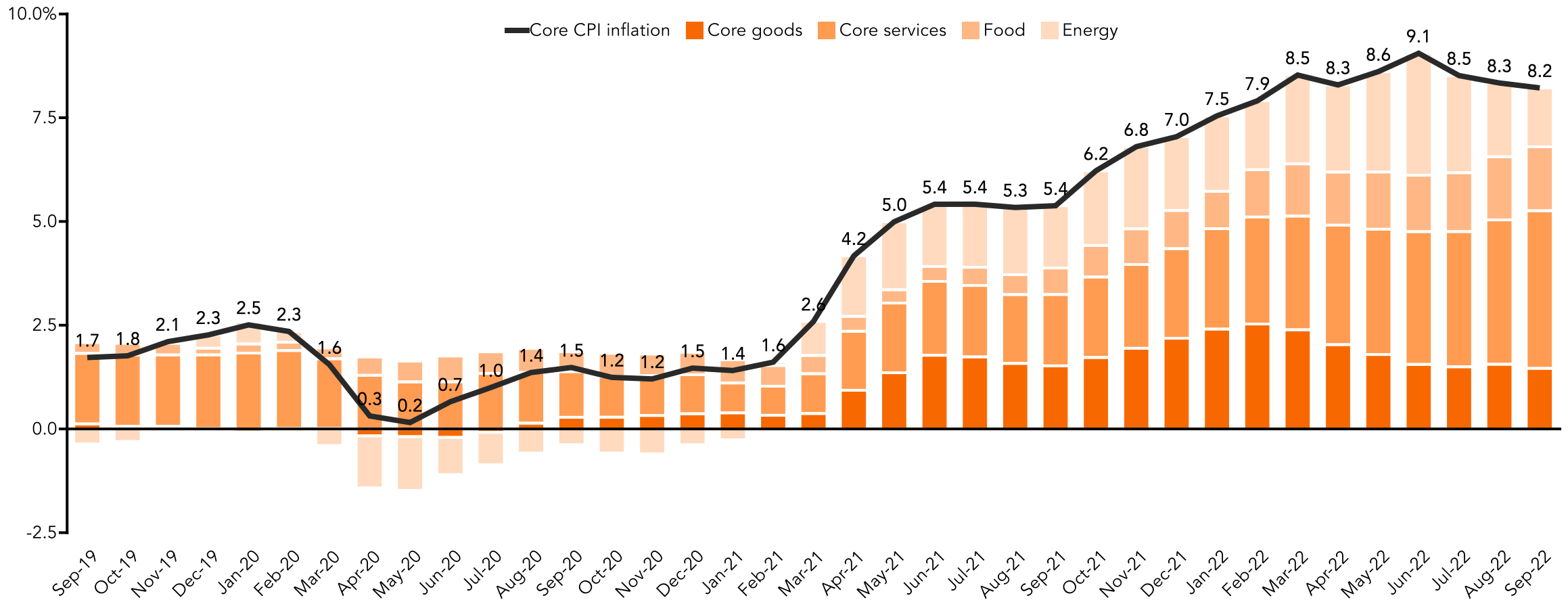
## Labor shortages have stabilized

Job openings vs hires gap (000s)  
Monthly, seasonally adjusted



# Inflation Is Starting to Ease

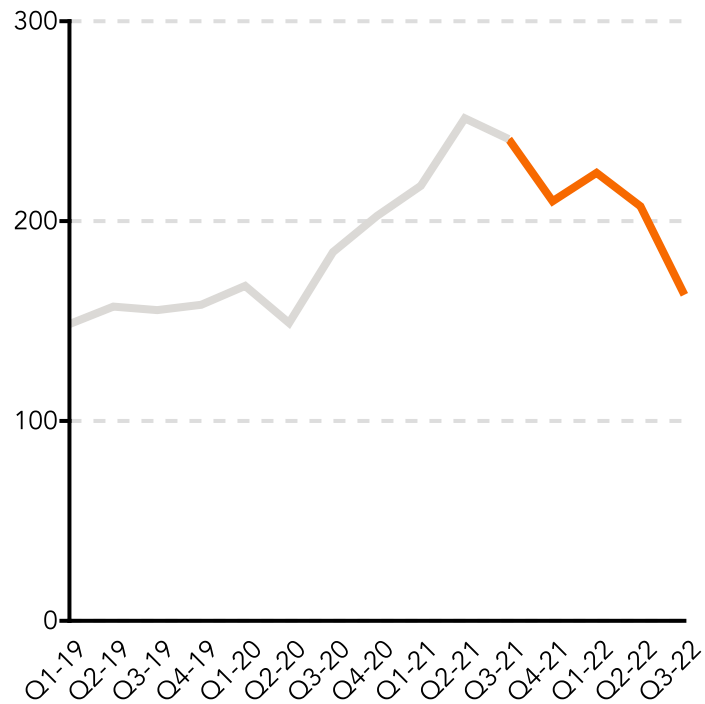
Contributions to U.S. CPI inflation, % YoY



# Softening Demand Is Swinging Things **the Other Way**

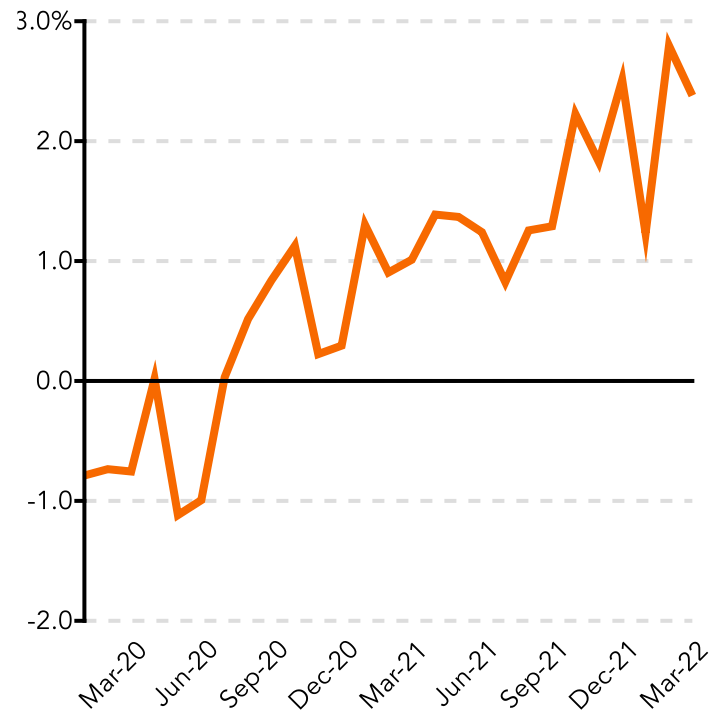
## Warehouse leasing is slowing down

U.S. new leasing activity for industrial real estate (sqft, millions)



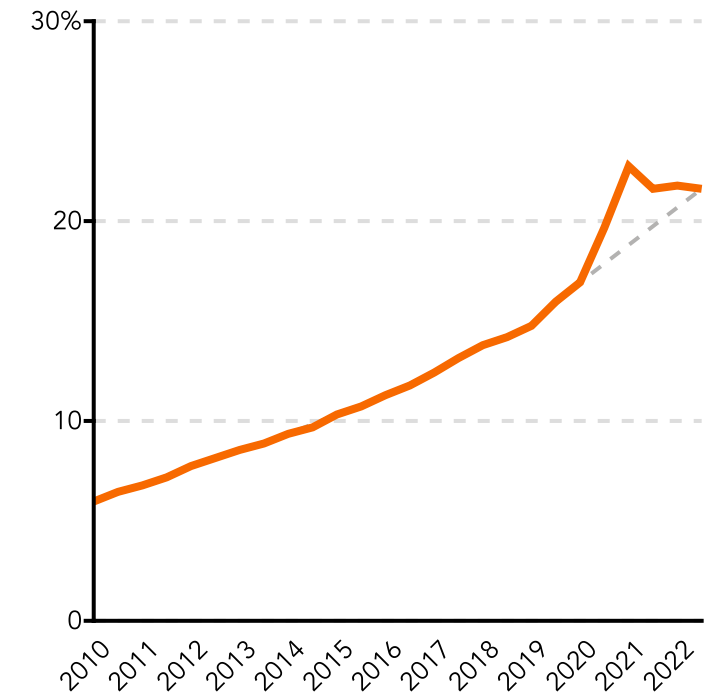
## Companies have excess inventory

Merchant wholesalers inventories  
Total monthly change (%)



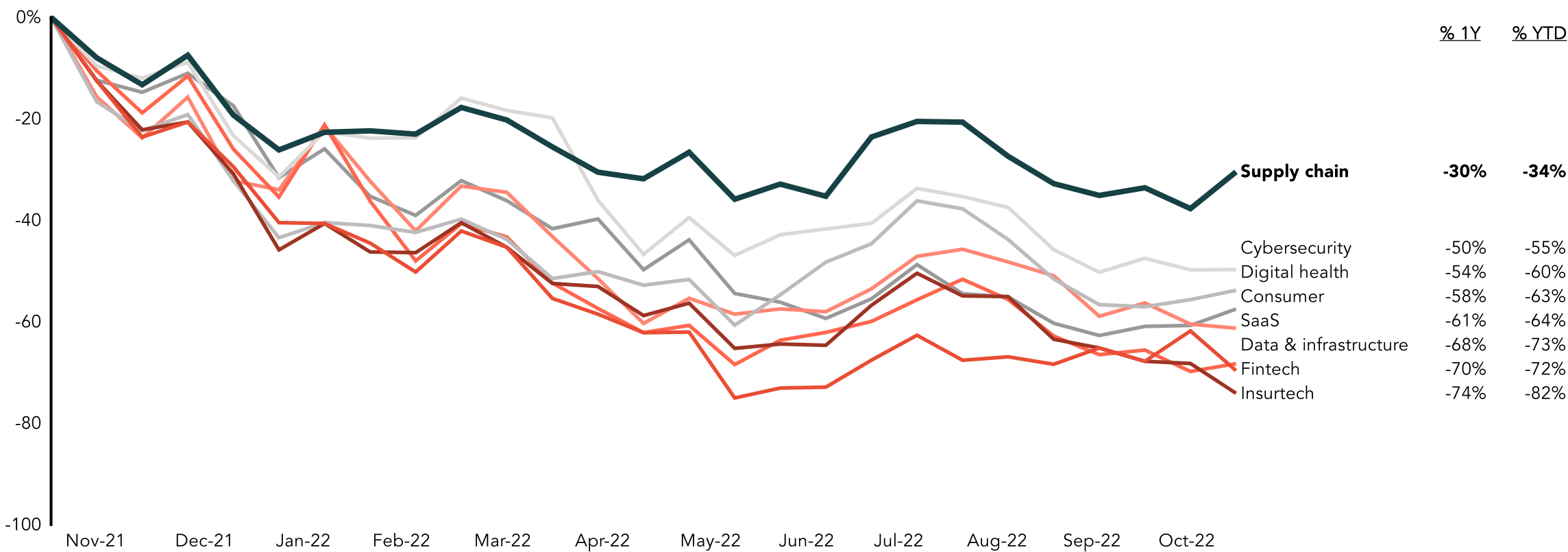
## E-commerce is reverting to historic trend

US e-commerce as % addressable retail



# Supply Chain Software Has Been **More Resilient** In Public Markets

Median stock market performance by technology subsector



## A G E N D A

Where We Were

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Where We Are

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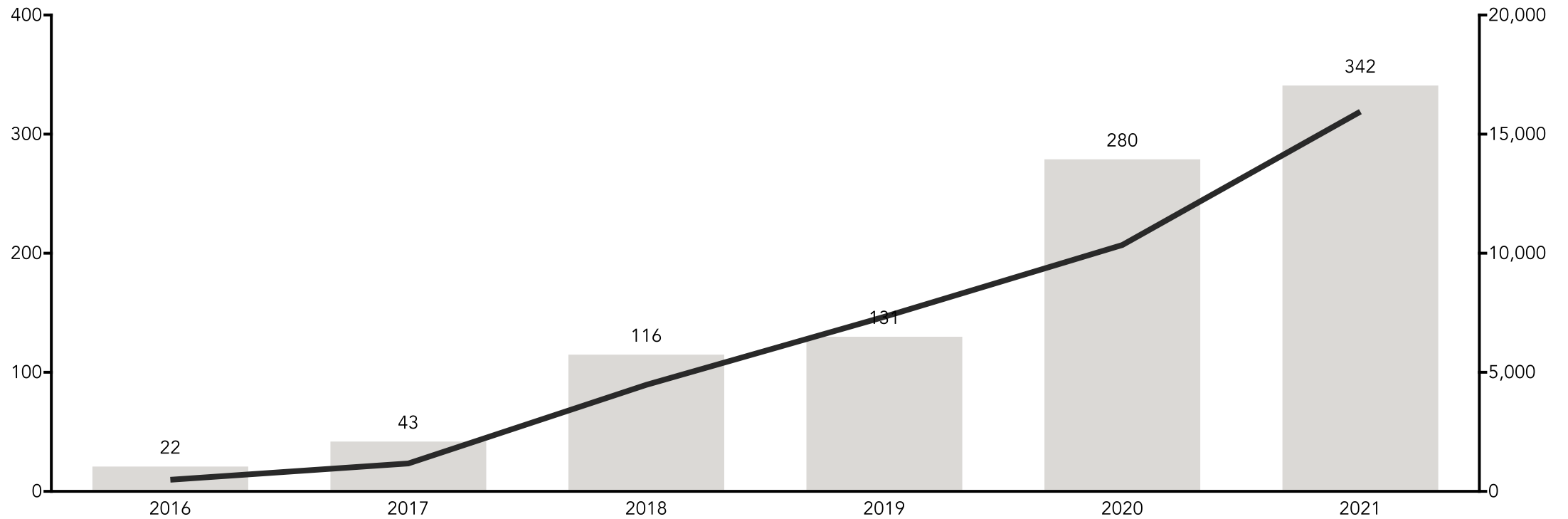
**Where We Are Going**

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# VC Investments in Supply Chain Reached Record Levels in 2021

Supply chain deal count

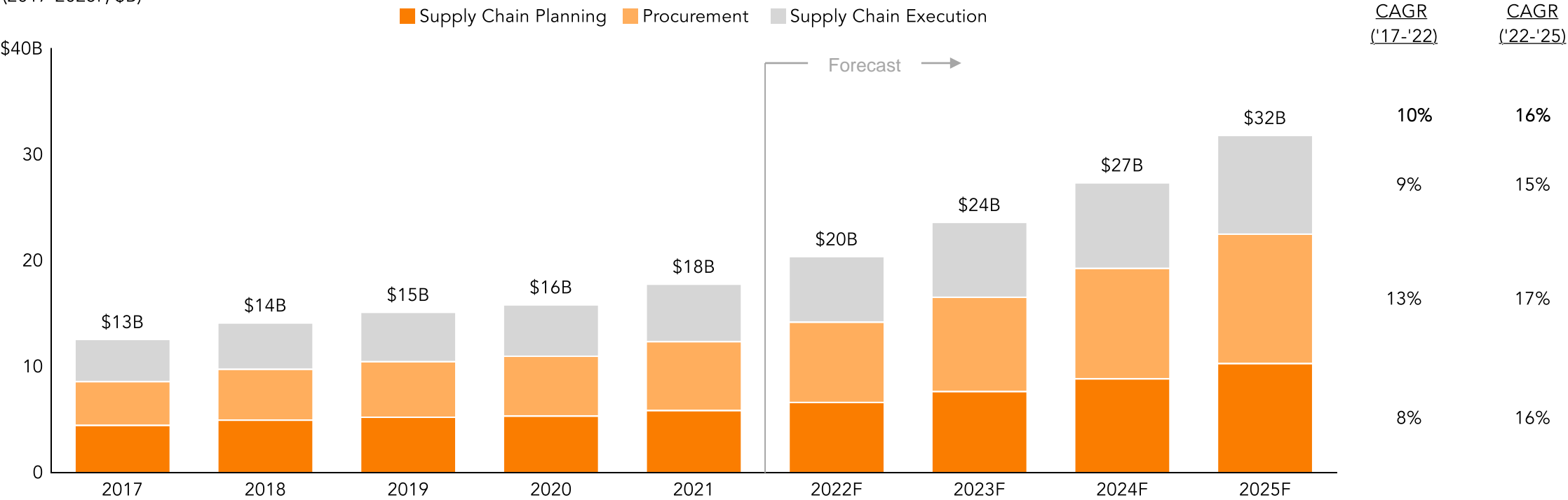
Supply chain capital invested (\$Ms)



# Companies Will Continue to **Prioritize Budget** for Supply Chain

Gartner predicts global supply chain management spend to accelerate 16% p.a. from 2022 to 2025

Global supply chain management spend  
(2017-2025F, \$B)





# Future Spend Will Be Impacted by **Four Top Trends**

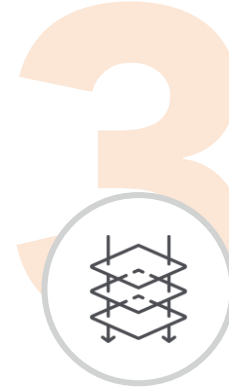
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**Reshoring and near-shoring** will reshape global supply chains, bringing manufacturing closer to home



**Increased regulatory oversight** will drive the need for more transparency and traceability



The **rise of vertical supply chains** will augment and at times replace today's horizontal supply chains



**Enablers will 'arm the incumbents'** with new technologies, allowing them to compete versus disruptors

# Re-shoring and Near-shoring Will Reorder Global Supply Chains

## The drivers of re- and near-shoring

### 1 Cost savings

Production and transportation is increasingly more cost effective in Mexico vs. China

### 2 Enhanced security

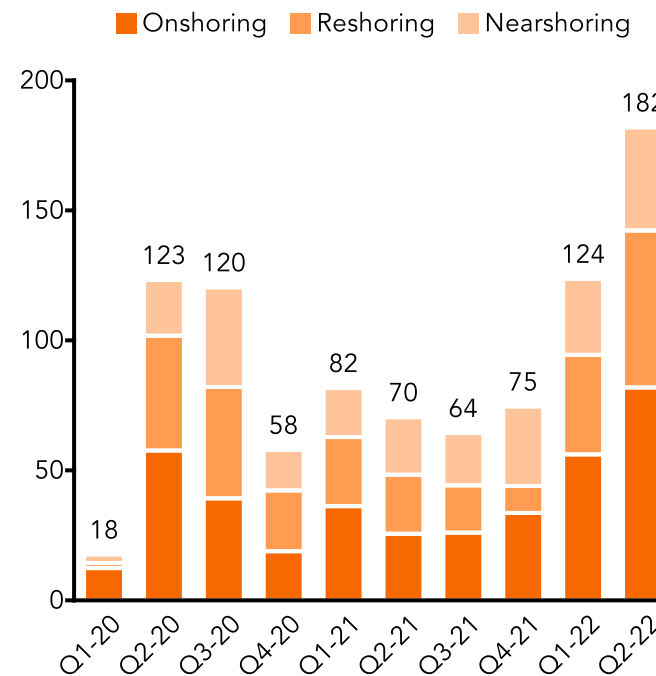
Geopolitical tensions (i.e., with China) pose significant risks to "business-as-usual"

### 3 Proximity to home

Proximity enables better lead times and reduced carbon emissions via transportation

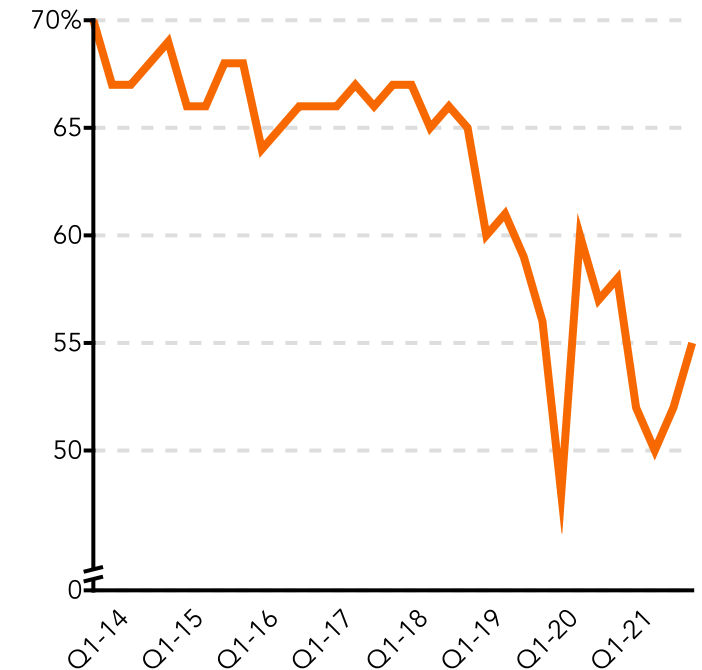
## Re-shoring and near-shoring are top of mind for US executives

No. of mentions of supply chain shifts in US corporate presentations



## Production is already shifting from China to other Asian countries, LatAm, & the US

Share of US low-cost country import value from China (%)



# Re-shoring and Near-shoring Will Reorder Global Supply Chains



## American companies increasingly look outside of China after Covid

PUBLISHED THU, OCT 27 2022 8:33 PM EDT | UPDATED THU, OCT 27 2022 8:44 PM EDT



Evelyn Cheng  
@CHENG Evelyn

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### KEY POINTS

- Nearly twice as many U.S. companies cut their investment in China this year versus last year, the American Chamber of Commerce in Shanghai found in its latest survey.
- Almost double the number of respondents redirected planned China investments to other destinations in the past year, the survey found.
- Most companies weren't making drastic changes, and 30% said they planned to increase investment in China for the growth opportunity, the survey found.



Parts of Shanghai have faced intermittent restrictions on business due to Covid controls, even after a broader two-month lockdown ended in June.  
Vig / Visual China Group / Getty Images

25 TV

A Father's Fraud

WATCH LIVE

UP NEXT / American Great 01:00 am ET

And more often than the average of all active managers

Discover How

Past performance is no guarantee of future results. Past performance does not constitute a recommendation. 01/30/22 to 01/30/22

T.RowePrice

### TRENDING NOW

Here's the No. 1 thing that makes relationships successful, say psychologists who studied 40,000 couples

Russian-made missile kills 2 in Poland, official says: Half of Kyiv loses power after strikes

Donald Trump, twice impeached and under

## FORTUNE

## China's loss is Mexico's gain: Bank of America says a transformed global supply chain means nearshoring investment in the country is a 'lifetime opportunity'

By TRISTAN BOVE

November 2, 2022 at 2:16 PM PDT



An engineer working on the assembly line at a Ford Motors plant in San Luis Potosi, Mexico.  
MAURICIO PALOS/ELCOMERO VIA GETTY IMAGES

One of the many buzzwords to have come out of the supply chain crisis of the past few years has been "nearshoring": companies investing in production closer to home so that they don't have to deal with global sourcing challenges.

### Most Popular

FINANCE  
Update: The home price correction in America's 400 largest housing markets, as told by one interactive map

November 15, 2022

By LANCE LAMBERT

PERSONAL FINANCE  
The American middle class is at the end of an era



## Toymaker Mattel expands Mexican plant in 'nearshoring' push

By Kyle Madry



The Mattel company logo is pictured at the entrance of the Montol plant in the municipality of Escobedo, Mexico March 15, 2022.  
REUTERS/Daniel Becerril

MEXICO CITY, April 1 (Reuters) - Mattel Inc ([MATO](#)) top-selling toys like Mega Bloks will now be made in

"Nearly twice as many U.S. companies cut their investment in China this year versus last year, the American Chamber of Commerce in Shanghai found in its latest survey.."

"Relatively cheap labor and its proximity to the U.S. has made Mexico an ideal destination for industries to manufacture their products, including electric cars, toys, and medical supplies."















"We have 90% exposure to China right now and are trying to reverse the split and bring 90% to Mexico. Frankly, we should have done this yesterday."

# Increased Regulations Drive the Need for Better Source Mapping

Jurisdiction		Regulation	Effective	Description
	Germany	German Supply Chain Due Diligence Act	2023	<ul style="list-style-type: none"><li>Mandates companies to identify and assess potential human rights violations and environmental risks within their supply chains</li></ul>
	United States	Uyghur Forced Labor Prevention Act	2021	<ul style="list-style-type: none"><li>Mandates companies to ensure most products mined, produced, or manufactured wholly or in part in Xinjiang are not part of their supply chain</li></ul>
	United States	US Anti-Greenwashing Legislation	2020	<ul style="list-style-type: none"><li>Prohibits false, misleading, overstated or unsubstantiated environmental advertising (often referred to as "greenwashing")</li></ul>
	European Union	EU Anti-Greenwashing Legislation	2020	<ul style="list-style-type: none"><li>Requires companies making 'green claims' to substantiate these against a standard methodology to assess their impact on the environment</li></ul>
	France	French Vigilance	2019	<ul style="list-style-type: none"><li>Requires companies to conduct due diligence to prevent serious human rights abuses in supply chains</li></ul>
	United Kingdom	UK Modern Slavery Act	2015	<ul style="list-style-type: none"><li>Requires companies to address and report on modern slavery in their supply chains</li></ul>
	United States	Conflict Minerals Reporting	2012	<ul style="list-style-type: none"><li>Requires companies to conduct due diligence and reporting to ensure mineral supply chains are conflict-free</li></ul>
	California	California Supply Chain Transparency Act	2010	<ul style="list-style-type: none"><li>Requires large retailers and manufacturers in California to disclose on their websites their efforts to eradicate slavery and human trafficking from direct supply chain</li></ul>
	United States	US Customs and Border Protection Section 307	1930	<ul style="list-style-type: none"><li>Prohibits importing any product that was mined, produced, or manufactured wholly or in part by forced labor, including forced or indentured child labor</li></ul>

# Vertical Supply Chains Will Proliferate

## Food + Beverage













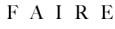





SUPPLY
<b>First-Mile Order Mgmt.</b>
 
LOGISTICS + DISTRIBUTION
<b>Supply Chain Visibility + Mgmt.</b>
 
DEMAND
<b>Retail Procurement</b>
 
 
  
  

## Pharma + Life Sciences













LOGISTICS + DISTRIBUTION
<b>Supply Chain Visibility + Mgmt.</b>

LOGISTICS + DISTRIBUTION
<b>Asset Tracking</b>
 
 
DEMAND
<b>Procurement</b>
 
DEMAND
<b>Pharmacy Fulfillment</b>
 







## Retail + E-Commerce

PRODUCTION
<b>Producer Discovery, Producer Procurement, Producer ERP</b>
  
LOGISTICS + DISTRIBUTION
<b>E-Commerce Fulfillment</b>
   
    
DEMAND
<b>Retail Procurement</b>
 
 
DEMAND
<b>Inventory Mgmt. + Merchandise Planning</b>
 

## Construction

PRODUCTION
<b>Production Procurement + Materials Mgmt.</b>
 
 

LOGISTICS + DISTRIBUTION
<b>Last-Mile Logistics + Fleet Mgmt.</b>
 
 
 


## Industrial Parts

PRODUCTION
<b>Producer Procurement + Producer Order Mgmt.</b>
 

DEMAND
<b>Inventory Mgmt. + Demand Planning</b>

<b>Art Collectibles</b>
DEMAND
<b>Order Fulfillment</b>


# The Vertical Supply Chain Playbook

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## Get in the trenches

- Because vertical supply chains are characterized by highly specific complexities, founders who have “lived the problem” have an edge



## Enter with a wedge

- The key to quickly inserting a new solution into an otherwise slow-moving supply chain is to quickly prove ROI via a solution that drives cost savings or revenue upside



## Become the system of record

- Capturing critical data about relationships, transactions and financials will increase stickiness in accounts and deepen relationships with customers



## Switch to multiplayer mode

- It is important to move the product from single-player to multiplayer by adding collaboration features and placing the product at a critical node



## Stack up the layer cake

- Once solutions are embedded in core workflows, they can provide smarter solutions for transacting, factoring, lending, or managing logistics

# Enablers Will **Arm Incumbents** to Compete Against Digital Disruptors

## Incumbents







*Traditional companies often lag in innovation and technology adoption*

## Disruptors

*In the first wave of innovation, disruptors enter industries with new technologies and business models to displace incumbents*

## Enablers

*In the next wave of innovation, enablers provide incumbents with technologies that allow them to match their new competitors' digital capabilities*

Freight brokerage	 C.H. ROBINSON		Uber Freight	<b>CONVOY</b>	 Parade	<b>Emerge</b>
Freight forwarding	KUEHNE+NAGEL 	<b>DSV</b>	<b>flexport.</b>	 forto	<b>raft</b>	<b>Shipamax</b>
B2B marketplaces	<b>HD SUPPLY</b>	<b>McKESSON</b>	Ankorstore	F A I R E	 proton.ai	<b>enable</b>

# Digitization Will Occur Across the Entire Supply Chain

