Gartner | Press Release

Gartner Announces Rankings of Its 2012 Supply Chain Top 25

Apple Maintains the Top Position for Fifth Year in a Row

Winners Announced at Gartner Supply Chain Executive Conference, 21-23 May, at the JW Marriott Desert Springs Resort and Spa, Palm Desert, California

PALM DESERT, Calif., May 22, 2012 — Gartner, Inc. has released the findings from its eighth annual Supply Chain Top 25. The goal of the Supply Chain Top 25 research initiative is to raise awareness of the supply chain discipline and how it impacts the business.

Analysts announced the findings from this year's research at the Gartner Supply Chain Executive Conference 2012 (http://www.gartner.com/technology/summits/na/supply-chain/), which is being held here at the JW Marriott Desert Springs Resort and Spa through 23 May.

"Last year, we noted that companies were starting to invest in resources and assets again, reflecting a newly recovering economy," said Debra Hofman, managing vice president at Gartner. "This year, that trend continues even more strongly, with many companies investing for growth. The global economic recovery has been uneven and halting in some cases, but, on balance, the result has been expansionary for companies' bottom lines and outlooks."

Average annual revenue growth of the companies in the study increased 29 per cent over the previous year. The average return on assets (ROA) and net profits improved by more than 50 per cent in 2010, and then stabilised this year, signalling profitable growth.

The supply chain top five included three mainstays — Apple, Dell and P&G — and two that are newer to the ranking, but have been rising steadily — Amazon and McDonald's.

Maintaining its record in the No. 1 slot was Apple (see Table 1), delivering total solutions to its customers through tightly integrated design of hardware components, firmware, a proprietary operating system and an ecosystem of applications that run on top of that platform. Stellar financials, which further improved this year, supported by the highest voting scores point to its combination of operational and innovation excellence, a zealous focus on starting with the consumer experience and working back through the design of its supply network, and mastery in orchestrating its end-to-end value network.

Gartner analysts said Amazon is a great example of an "orchestrator" that goes beyond simply borrowing and adapting others' best practices and consistently defies conventional wisdom. McDonald's moved up five spots to No. 3 this year on strong financials and peer opinion votes. The ubiquitous restaurant chain has managed the balance between new product growth, and the resulting complexity in supply chain planning and execution.

Table 1

The Gartner Supply Chain Top 25 for 2012

Rank	Company	Peer Opinion[1] (173 voters) (25%)	Gartner Opinion[1] (37 voters) (25%)	Three-Year Weighted ROA[2] (25%)	Inventory Turns[3] (15%)	Three-Year Weighted Revenue Growth[4] (10%)	Composite Score[5]
1	Apple	3241	651	20.2%	74.1	51.5%	9.69
2	Amazon	2713	435	4.4%	10.0	37.7%	5.40
3	McDonald's	1121	283	16.0%	142.4	7.2%	5.37
4	Dell	2131	546	6.8%	35.6	2.7%	5.30
5	P&G	1940	622	9.2%	5.5	2.5%	5.05
6	The Coca-Cola Company	1818	372	13.0%	5.8	19.7%	4.85
7	Intel	1006	406	16.2%	5.0	17.8%	4.63
8	Cisco Systems	1243	582	8.4%	11.0	5.5%	4.46
9	Wal-Mart Stores	1874	410	8.8%	8.3	4.2%	4.24
10	Unilever	1043	534	10.2%	6.0	5.5%	4.21
11	Colgate-Palmolive	697	342	19.6%	5.3	4.2%	4.17
12	PepsiCo	917	427	10.2%	7.7	17.6%	4.05
13	Samsung	1014	291	9.4%	17.1	15.9%	3.67
14	Nike	1073	278	13.3%	4.6	5.2%	3.55
15	Inditex	397	225	17.3%	4.0	10.3%	3.37
16	Starbucks	940	191	14.3%	6.2	6.3%	3.28
17	H&M	385	24	28.6%	3.6	5.7%	3.09
18	Nestle	651	196	15.9%	4.9	-9.5%	3.06
19	Research In Motion (RIM)	254	104	17.0%	11.3	13.3%	3.00
20	Caterpillar	876	226	4.6%	3.4	22.7%	2.67
21	3M	856	70	13.2%	4.4	8.4%	2.65
22	Johnson & Johnson	798	176	10.7%	3.2	2.1%	2.55
23	Cummins	142	52	11.9%	6.0	20.0%	2.22
24	HP	598	192	6.2%	13.7	2.8%	2.22
25	Kimberly-Clark	463	182	8.9%	6.1	3.5%	2.21

Notes:
1. Gartner Opinion and Peer Opinion: Based on each panel's forced-rank ordering against the definition of "DDVN orchestrator"
2. ROA: ((2011 net income/2011 total assets) * 50%) + ((2010 net income/2010 total assets) * 30%) + ((2009 net income/2009 total assets) * 20%)
3. Inventory Turns: 2011 cost of goods sold/2011 quarterly average inventory
4. Revenue Growth: ((change in revenue 2011-2010) * 50%) + ((change in revenue 2010-2009) * 30%) + ((change in revenue 2009-2008) * 20%)
5. Composite Score: (Peer Opinion * 25%) + (Gartner Research Opinion * 25%) + (ROA * 25%) + (Inventory Turns * 15%) + (Revenue Growth * 10%)
2011 data used where available. Where unavailable, latest available full-year data used. All raw data normalized to a 10-point scale prior to composite calculation.
Source: Gartner (May 2012)

Gartner analysts said there were three notable trends across supply chain leaders that included a continued focus on supply chain resiliency, simplification and "multilocal" operations.

Resiliency: Many of this year's Supply Chain Top 25 companies were impacted by natural disasters, such as the Japanese earthquake and tsunami, and the massive flooding in Thailand. "Leading companies such as Intel, P&G and Unilever improved multitier supply chain visibility and advanced network management capabilities to be agile in the face of disruptions," Ms Hofman said. "Overall, leaders have remained focused throughout the past year on building resiliency into their global supply chains, and we see it continuing to be a highly valued supply chain characteristic."

Simplification: Many companies said they have exhausted easily gained efficiencies within their existing supply networks and product portfolios. Further improvement will require structural changes to streamline the flow of supply, and eliminate less profitable product and portfolio complexity. "Supply chain leaders are adopting complexity optimisation strategies to eliminate infrequently used product features, service offerings, suppliers and distribution network capacity that does not add sufficient value to customers," said Stan Aronow, research director at Gartner.

"Multilocal" Operations: Manufacturers and retailers have long sought ways to balance the trade-off in their supply network designs between global economies of scale and the demand for local responsiveness. Leading companies are reassessing their sourcing and manufacturing networks, and rebalancing their supply network strategies in favour of multilocal design, supply and support. More specifically, they are shifting from a centralised model, where these functions support global markets, to a regionalised approach, where capabilities are placed locally, but architected globally.

More detailed analysis is available in the report "The Gartner Supply Chain Top 25 for 2012." A complimentary copy of the report is available at www.gartner.com/supplychaintop25. This site includes various reports related to the Supply Chain Top 25, as well as the overall supply chain industry.

About the Gartner Supply Chain Top 25
The Supply Chain Top 25 rankings comprise two main components: financial and opinion. Public financial data gives a view into how companies have performed in the past, while the opinion component provides an eye to future potential and reflects future expected leadership, a crucial characteristic. These two components are combined into a total composite score.

Gartner analysts derive a master list of companies from the Fortune Global 500 and the Forbes Global 2000, with a revenue cut-off of $10 billion. Gartner then pares the combined list down to the manufacturing, retail and distribution sectors, thus eliminating certain industries, such as financial services and insurance.

About Gartner Supply Chain Executive Conference
Analysts are discussing the future direction of the supply chain industry at the Gartner Supply Chain Executive Conference 2012. The US event is taking place now through 23 May at the JW Marriott Desert Springs Resort and Spa in Palm Desert. For more information about the conference, please visit http://www.gartner.com/technology/summits/na/supply-chain/.

The Gartner Supply Chain Executive Conference 2012 will also be held 23-24 July at the Sydney Convention and Exhibition Centre. For additional information about this conference, please visit http://www.gartner.com/technology/summits/apac/supply-chain/

The Gartner Supply Chain Executive Conference 2012 will also be held 17-18 September at the Park Plaza Westminster Bridge in London. For additional information about this conference, please visit http://www.gartner.com/technology/summits/emea/supply-chain/.

Additional information from the events will be shared on Twitter at http://twitter.com/Gartner_inc and using #Gartnerscc.

About Gartner
Gartner, Inc. (NYSE: IT) is the world's leading information technology research and advisory company. Gartner delivers the technology-related insight necessary for its clients to make the right decisions, every day. From CIOs and senior IT leaders in corporations and government agencies, to business leaders in high-tech and telecom enterprises and professional services firms, to technology investors, Gartner is the valuable partner to clients in 12,000 distinct organizations. Through the resources of Gartner Research,

Gartner Executive Programs, Gartner Consulting and Gartner Events, Gartner works with every client to research, analyze and interpret the business of IT within the context of their individual role. Founded in 1979, Gartner is headquartered in Stamford, Connecticut, U.S.A., and has 5,000 associates, including 1,280 research analysts and consultants, and clients in 85 countries. For more information, visit www.gartner.com.

# # #