



Leveraging Inventory for Profitable Growth

Executive Brief: [August 2019](#)

Introduction

- Every supply chain team must balance inventory investment with service level performance. Without proper balance, organizations run the risk of excess inventory and trapped working capital, or too little inventory and lost sales. Finding the right balance is critical to boosting service levels while reducing inventory costs. This research examines the current state of inventory optimization adoption, identifies the top pressures driving inventory optimization initiatives, and provides a breakdown of capabilities by industry.
- Through advanced “what-if” scenario evaluations based on the use of Digital Twins, Multi-Echelon Inventory Optimization (MEIO) has shown to reduce inventory investment between 10 – 30% while improving customer service levels.
- An overwhelming majority of respondents rely on their ERP system (77%) to manage inventory. This highlights a significant opportunity for companies to further reduce working capital through the use of more advanced solutions.

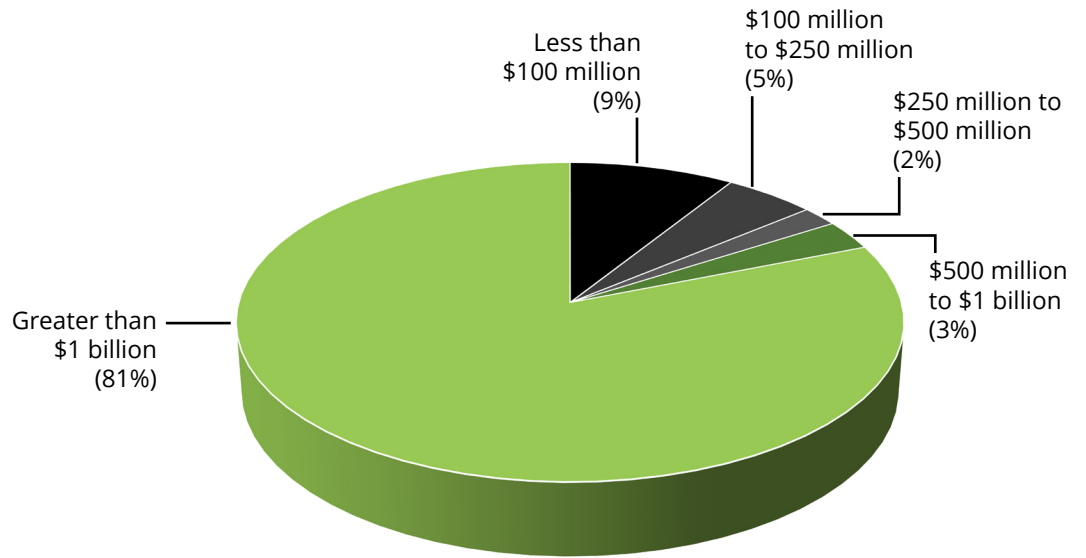
Inventory Optimization Study Overview

- Logility partnered with Elastic Solutions, a leading provider of B2B marketing research services, to conduct a study – **Leveraging Inventory for Profitable Growth** – and now we’re bringing you the results!
- 100% of survey respondents participated voluntarily.
- Over 100 survey respondents, representing more than 10 industries, participated in this study. All are located in North America.

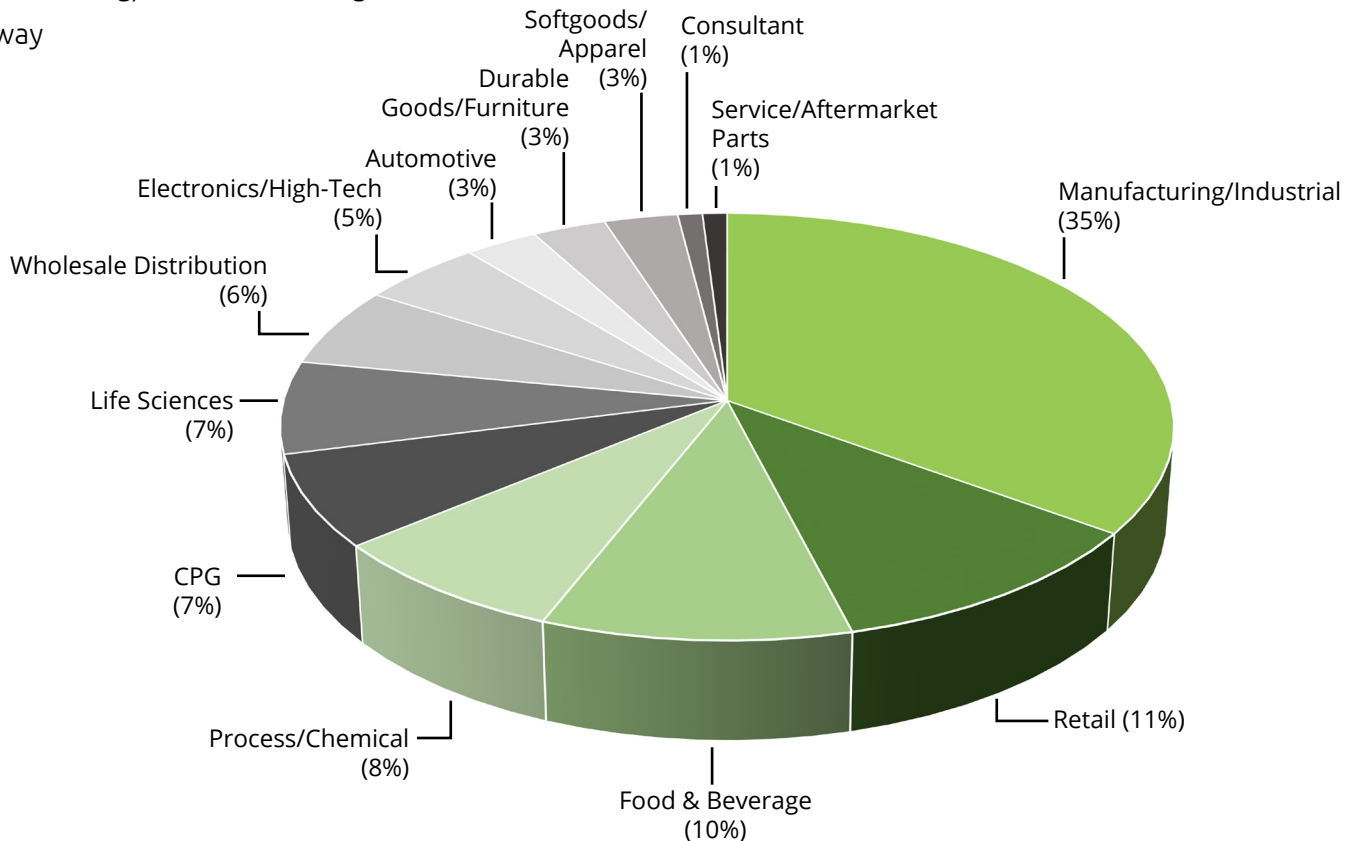


Respondent Demographics

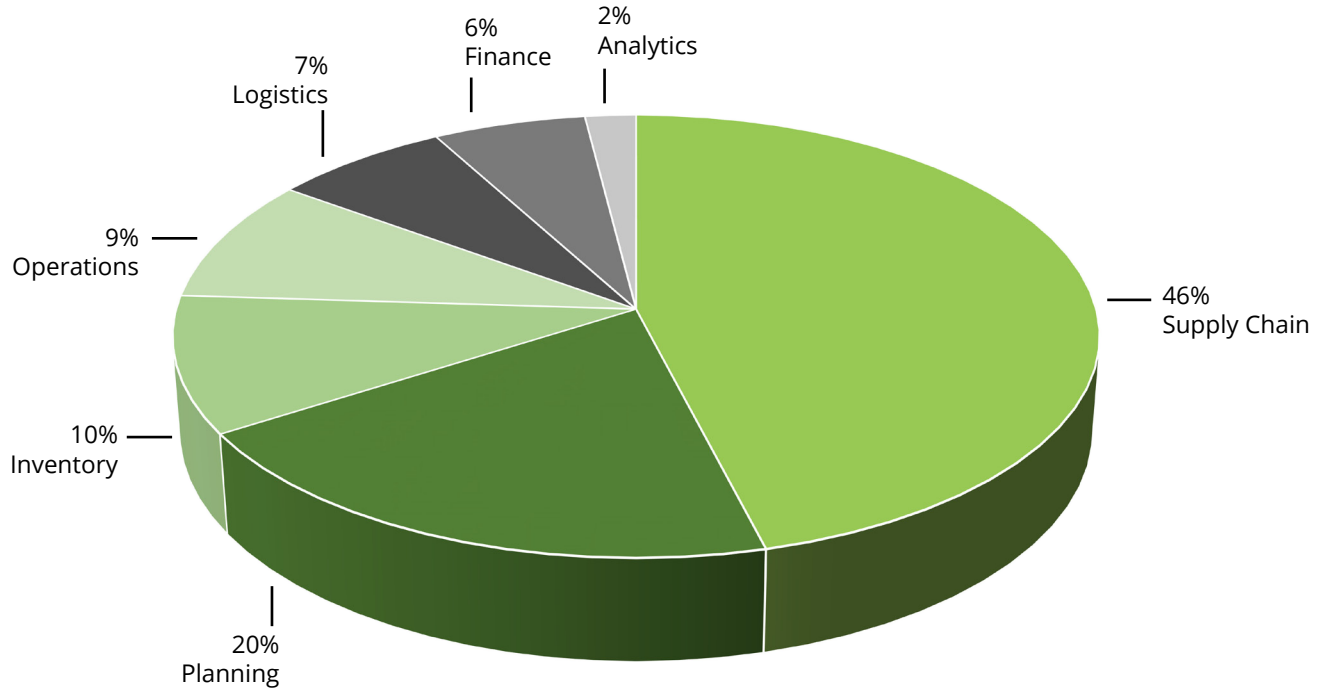
- The overwhelming majority of survey respondents came from organizations that are greater than \$1 billion in annual revenue



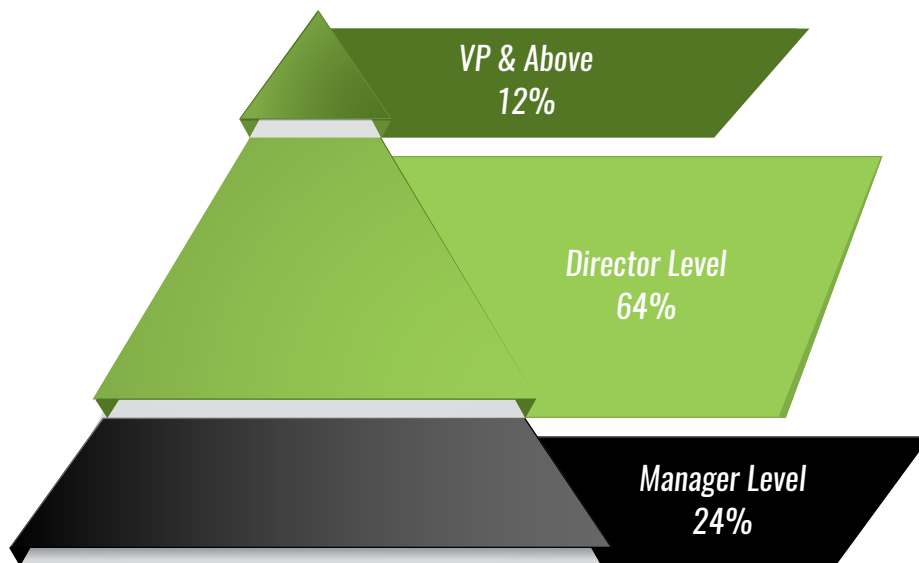
- A number of different industries were represented, with Manufacturing/Industrial leading the way



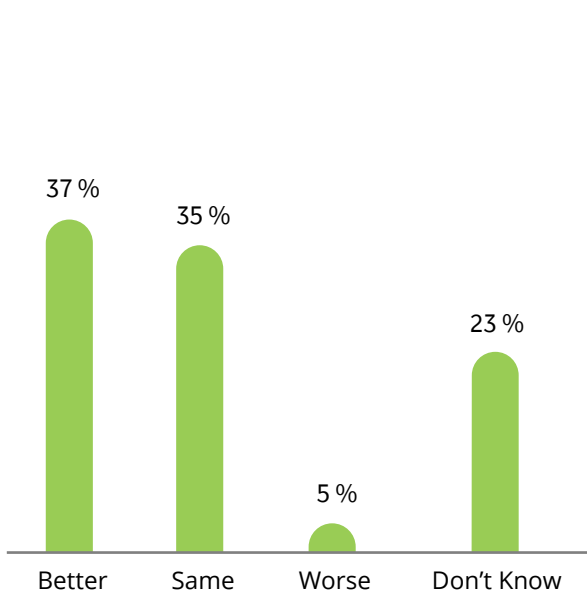
Job Functions



AUTHORITY LEVEL OF RESPONDENTS



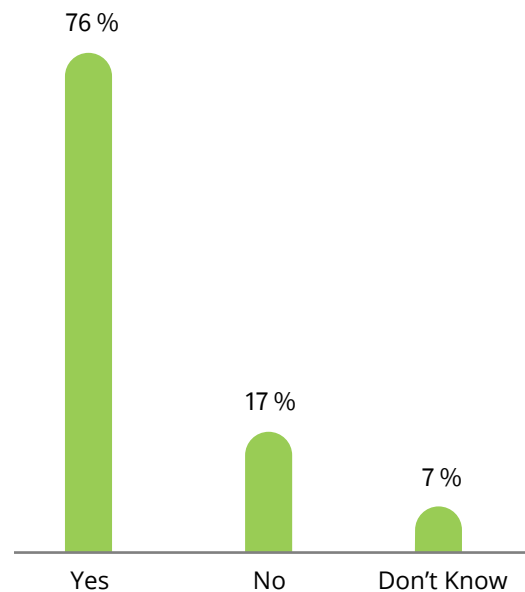
How would you rate your company's inventory turns against your competitors?



Key Takeaway

37% of respondents rate their inventory turns better than their competitors, while another 35% believe they're the same. Only 5% believe their inventory turns are worse than the competition.

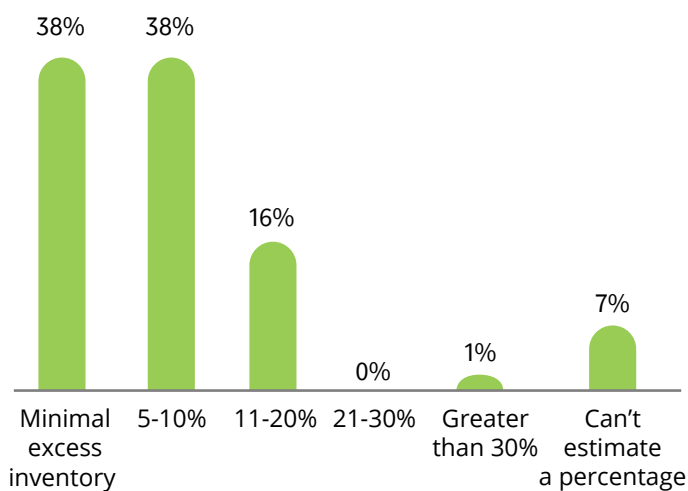
Do your current inventory turns support company goals and objectives?



Key Takeaway

Overwhelmingly, respondents believe that their current inventory turns support their company's goals and objectives (76%).

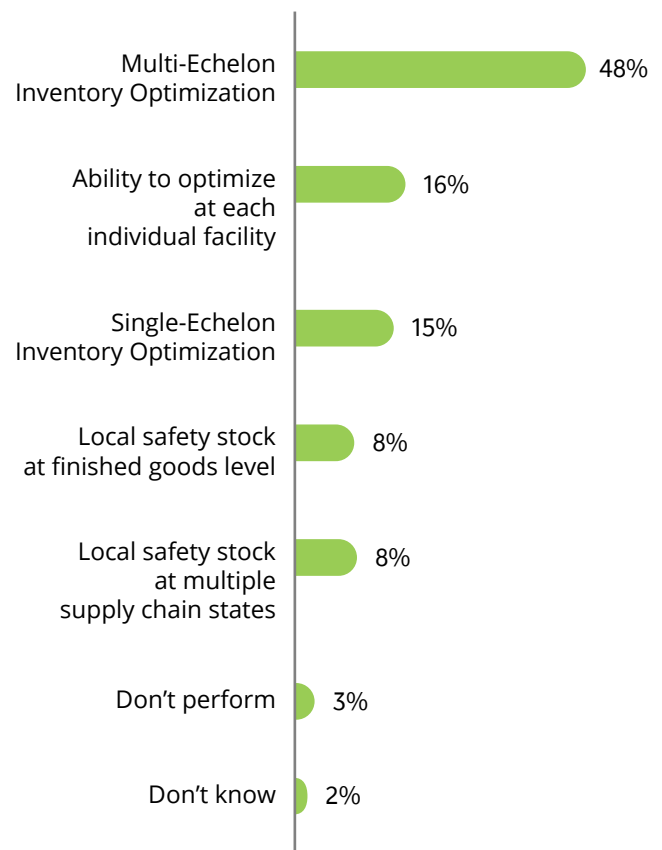
How much excess inventory is held within your end-to-end supply chain?



Key Takeaway

54% of respondents stated they have upwards of 20% excess inventory in their network.

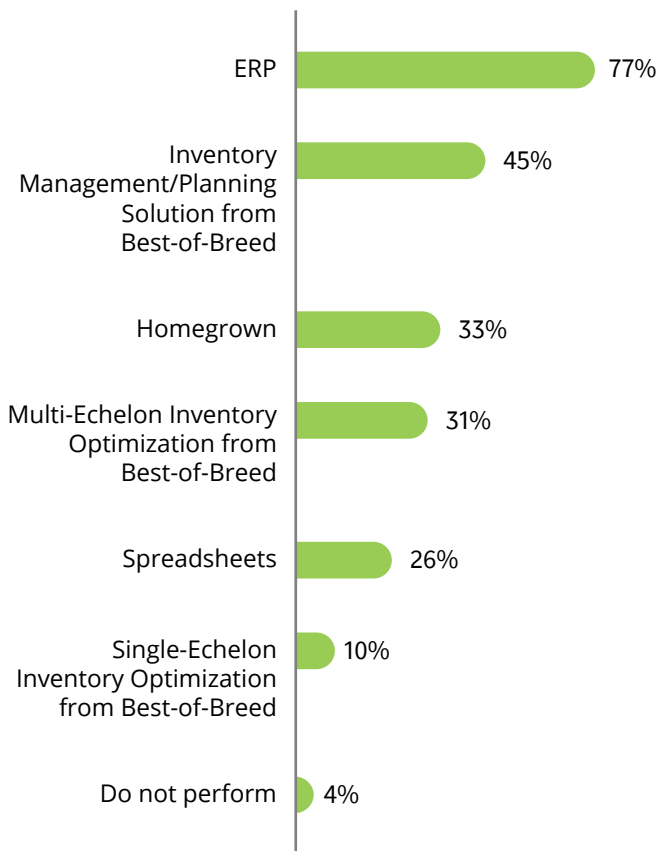
How do you manage your inventory?



Key Takeaway

Multi-Echelon Inventory Optimization – the ability to optimize raw material, WIP, and/or finished good simultaneously across all nodes in the network– is how 48% of the respondents currently manage their inventory. Only 3% stated that they don't perform any kind of inventory management or optimization.

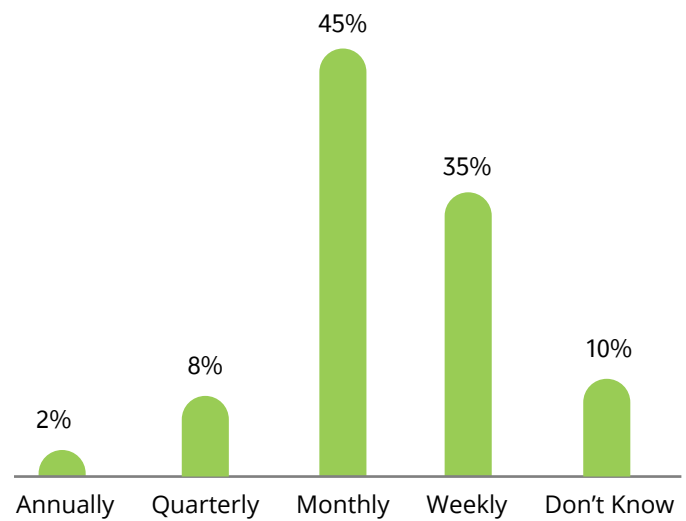
What technology do you use to optimize your inventory?



Key Takeaway

ERP is the technology of choice when it comes to how respondents optimize their inventory (77%), while best-of-breed inventory solutions come in at 45%. 26% of organizations still use spreadsheets to optimize their inventory.

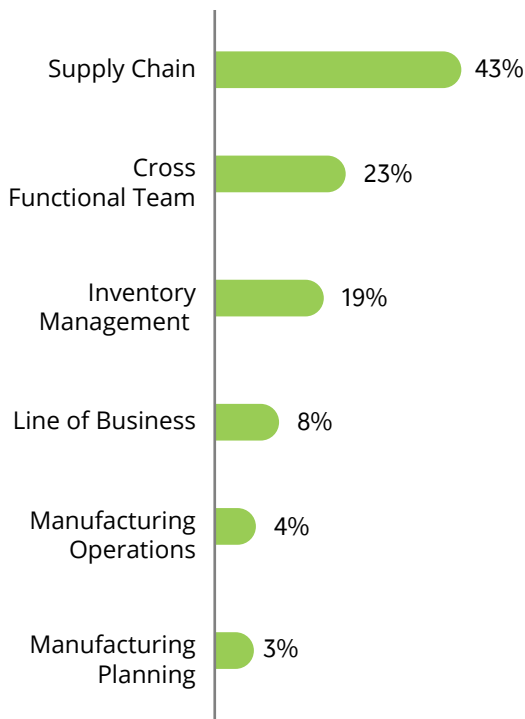
How often do you review inventory in your company?



Key Takeaway

80% of respondents review their inventory monthly (45%) or weekly (35%). Only 2% do it on an annual basis.

Who has ultimate responsibility for inventory in your organization?

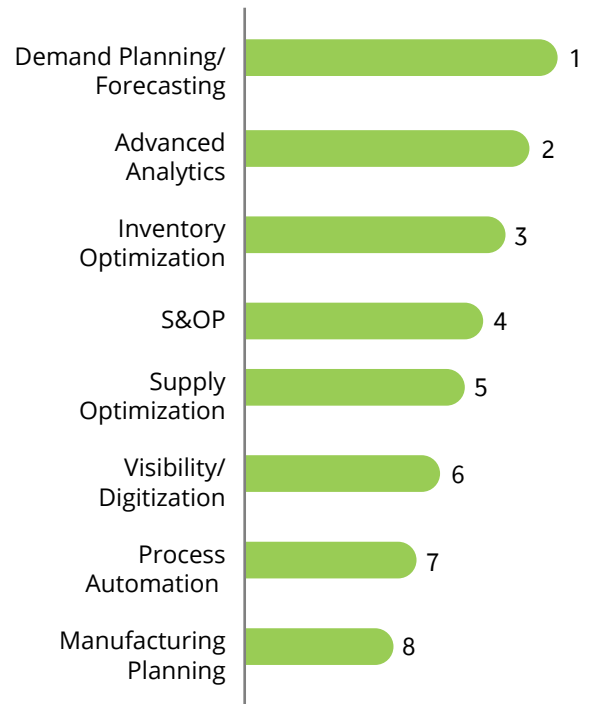


Key Takeaway

A number of different groups within an organization take on inventory responsibility, but the supply chain organization leads the way among survey respondents at 43%. Another 23% said it's the responsibility of a cross functional team.

Rank the priority of the following as an area for improvement at your organization

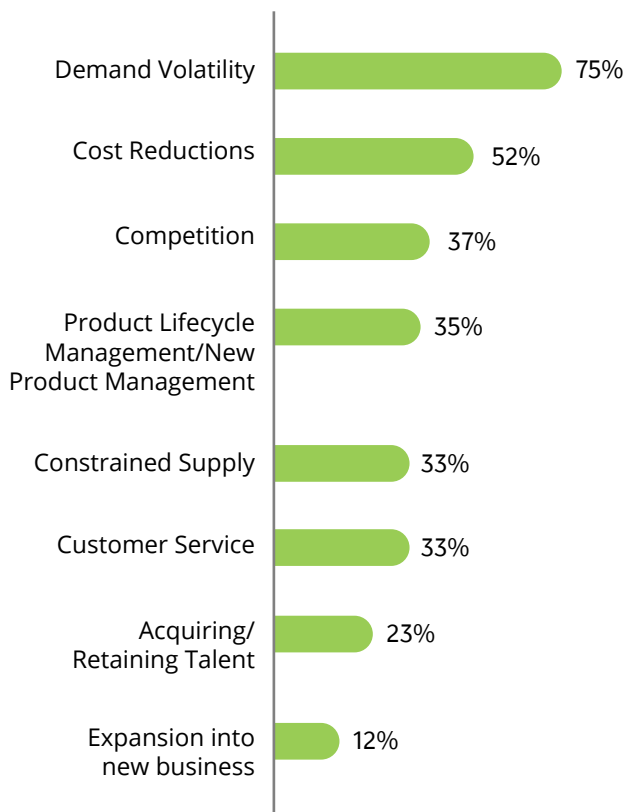
(1 being the most important and 8 being the least important).



Key Takeaway

Respondents listed demand planning/forecasting as the most important area for improvement at their organization. They listed inventory optimization as the 3rd most important area for improvement.

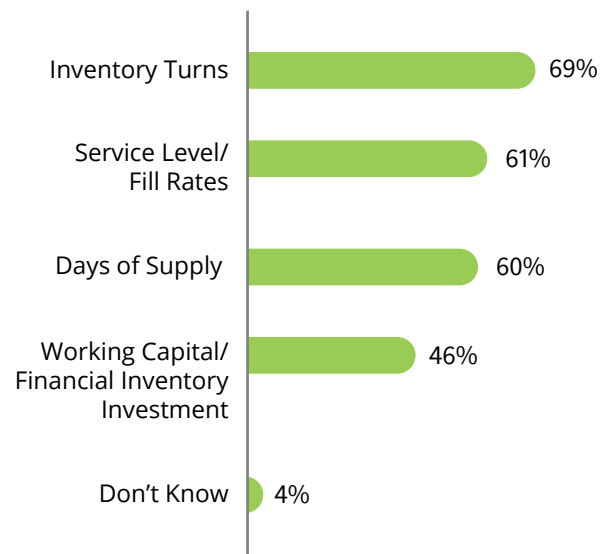
What are the top business pressures impacting your supply chain?



Key Takeaway

All answer options were well represented, but the top three business pressures impacting supply chains are demand volatility (75%), cost reductions (52%) and competition (37%).

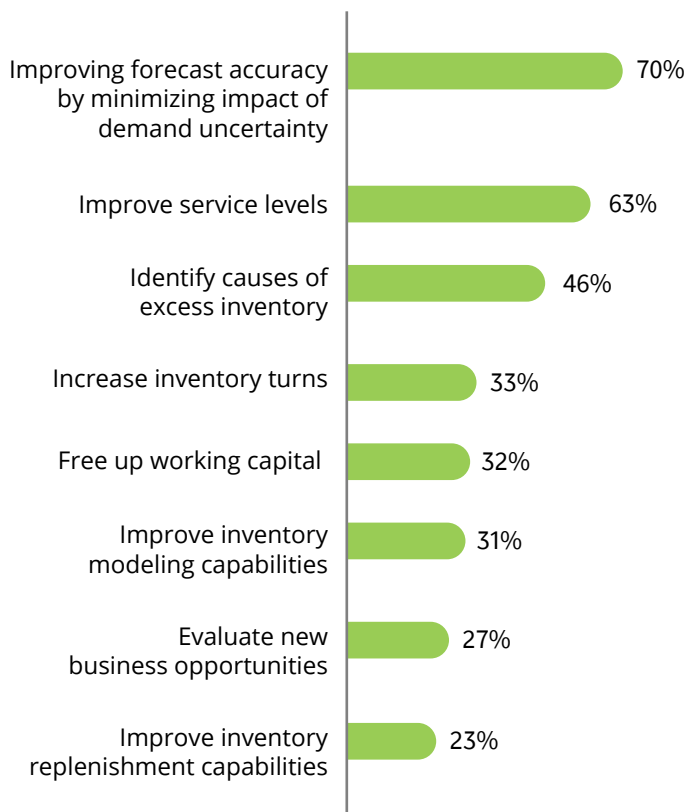
How do you measure inventory performance?



Key Takeaway

Respondents measure inventory performance a number of different ways, with a combination of inventory turns (69%), service level/fill rates (61%), and days of supply (61%) being the most common ways to measure performance.

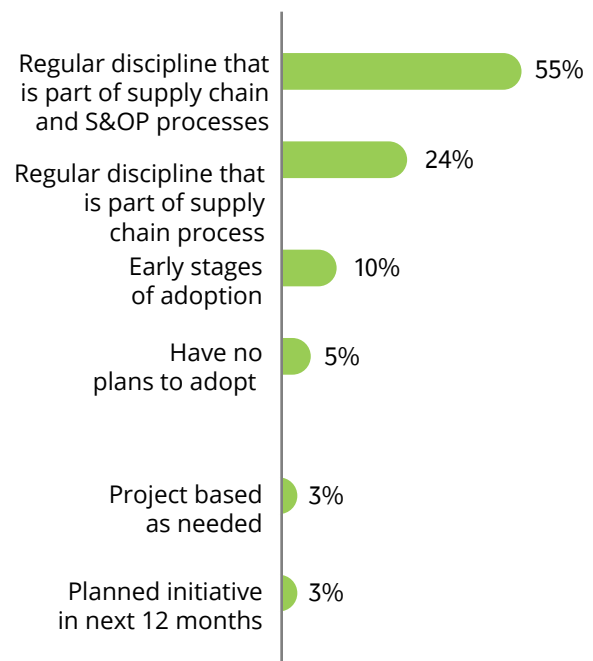
What are the business pressures driving your inventory optimization initiatives?



Key Takeaway

There are numerous business pressures that are driving inventory optimization initiatives for companies. The biggest business pressure is improving forecast accuracy by minimizing the impact of demand uncertainty (70%). The need to improve service levels (63%) is another top business pressure, while reducing obsolescence (19%) is the least impactful when it comes to driving inventory optimization initiatives.

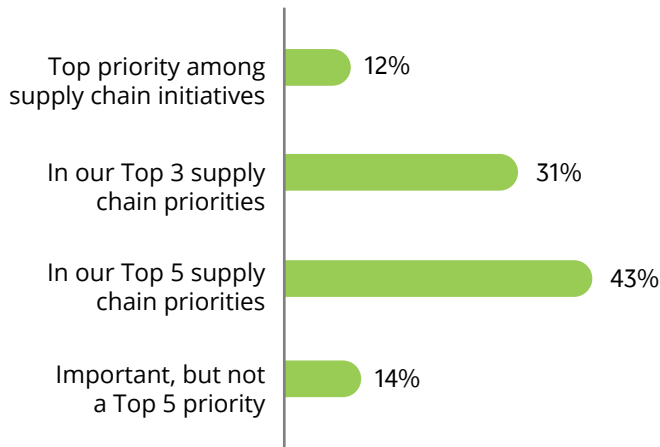
What is the level of inventory optimization adoption at your company?



Key Takeaway

79% of respondents said inventory optimization is a regular discipline that is part of supply chain and S&OP processes (55%), or a regular discipline that is part of the supply chain process (24%). Only 5% stated that they have no plans to adopt inventory optimization.

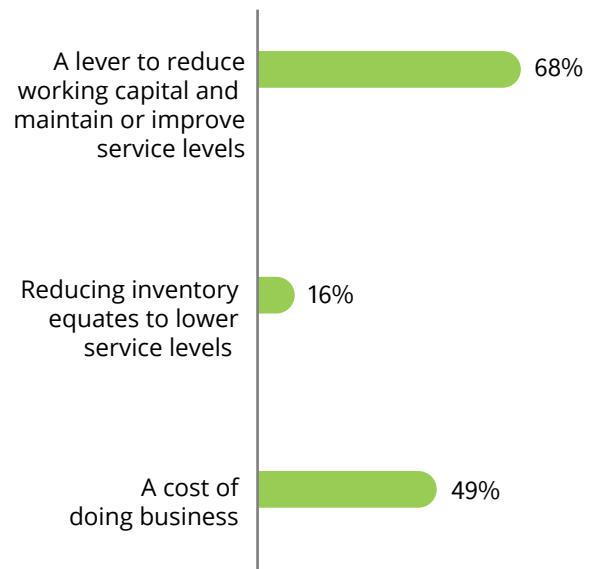
At the VP Level, where does inventory optimization rank as a supply chain priority?



Key Takeaway

All respondents considered inventory optimization to be an important priority for their organization. 43% of respondents listed it as a top 5 priority among supply chain initiatives (12%) or a top 3 supply chain priority (31%). Only 14% didn't have it as a top 5 supply chain priority.

In your organization, inventory is?



Key Takeaway

Among respondents, inventory is viewed as a lever to reduce working capital and maintain or improve service levels (68%). However, 49% still hold the view that inventory is a cost of doing business. When managed properly and optimized, it is truly a lever for profitable growth.

Making Inventory a Lever for Profitable Growth

– Summary

- Inventory optimization is top of mind for supply chain practitioners. 86% of survey respondents had it at least as a top 5 priority, with 43% of those saying it was either their top supply chain priority or a top 3 priority.
- Even though 76% of respondents stated that their current inventory turns support company goals and objectives, there is considerable excess inventory held in end-to-end supply chains. 54% of respondents stated that anywhere from 5-10% (38%) or 11-20% (16%) of excess inventory is held within their end-to-end supply chain. Identifying the causes of this excess inventory is one of the key business pressures driving inventory optimization initiatives.
- When it came time to prioritize areas of improvement for their organizations, respondents listed demand planning/forecasting first and inventory optimization third in terms of importance.
- The top 3 business pressures driving inventory optimization initiatives are:
 - 1) Improving forecast accuracy by minimizing impact of demand uncertainty (70%). It is worth noting that respondents listed demand volatility (75%) as the top business pressure impacting their supply chain
 - 2) Improve service levels (63%)
 - 3) Identify causes of excess inventory (46%)
- In terms of inventory optimization adoption, only 4% of respondents said they currently do not perform inventory optimization. For the other 96%, ERP is the technology of choice when it comes to how they optimize their inventory (77%), while best-of-breed inventory management/planning solutions come in at 45%. 26% of organizations are still using spreadsheets to optimize their inventory.
- Multi-echelon (48%) and single-echelon (15%) inventory optimization is how 63% of respondents are currently managing their inventory.
- Inventory optimization is a best practice and viewed as a lever for profitable growth at leading organizations. 79% of respondents said inventory optimization is a regular discipline that is part of supply chain and S&OP processes (55%), or a regular discipline that is part of the supply chain process (24%). Additionally, 68% said that their organization views inventory in general as a lever to reduce working capital and maintain or improve service levels. There is, however, still area for improvement as evidenced by the fact that respondents listed inventory optimization third in terms of most important areas for improvement at their organizations.



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About Elastic Solutions

Elastic Solutions is a leader in strategic marketing and demand generation services for the B2B high-tech community. They were responsible for generating the data for this report.

For more information, please visit www.elasticroi.com.