



# Building The Consumer Products Supply Chain Of The Future

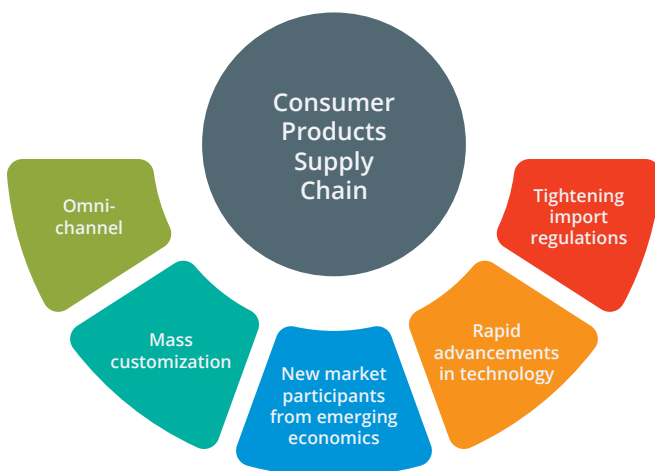
Foundational Capabilities to Improve the Consumer Products Supply Chain

## Current State

Supply chain teams in the consumer products industry face a dilemma. They must contain cost yet promote and support top line growth. They must efficiently manage on-going operations while finding new ways to drive innovation. To be successful, the supply chain team must operate in two business modes while supporting an integrated strategy.

To complicate matters, consumer product supply chains are getting more complex (Figure 1). Demand volatility is increasing with larger product portfolios, more distribution channels and wider-spread supply chain networks. Inventory is a continual focal point for senior management due to its visibility in financial reporting. There is a growing awareness that holding the right amount of inventory in the right locations can improve cash flow and provide better responsiveness to changing customer demands.

While the best consumer products supply chain organizations have made strides in reducing costs and improving customer service, a widening gap exists between best-in-class and average performance.



## Outlook

Supply chain teams must evolve to take advantage of advanced planning capabilities like native language interfaces, algorithmic planning, artificial intelligence and big data in order to optimize their supply chains globally while having the capabilities to act locally. To support corporate goals of profitable revenue growth, supply chain organizations must also place a greater emphasis on the customer and measure performance based on customer experience.

*The time to sense, analyze and optimally respond to change has become an important enabler of supply chain operational success.*

This e-book explains the importance of building a strong supply chain planning and optimization foundation so consumer products companies can meet current and future goals. It also provides examples of how to build these capabilities at your company and have integrated, global, high quality supply chain data; clearer supply chain visibility; and a holistic approach to optimizing supply chain capabilities.

## Better Forecasting Sets the Stage for Success

The use of multiple forecasting methods can significantly improve product forecast accuracy. The goal is to leverage the most appropriate models and automatically shift between them to keep forecast accuracy at its peak as a product progresses through its life cycle. A mature powerful statistical forecasting strategy should include the following capabilities:

**Derived Modeling:** Generating new product forecasts using demand variations or extensions from existing products, families or brands.

**Demand for New Product Introductions:** Identifying new products that have similar attributes to generate demand profiles based on product and market characteristics. As actual sell-in and sell-through demand occurs, demand profiles are automatically confirmed or adjusted to ensure availability.

**Customer Segmentation and Channel Specific Demand Planning:** Differentiating forecasting and inventory policies by channel and customer to maximize service for the highest value, most profitable segments.

**Collaborative Forecasting:** Using collaborative forecasting with key trading partners to build both consensus and trust regarding inventory requirements to achieve desired service levels.



*For more information on forecasting methods, download this white paper.*



## Better Results Through Multi-Echelon Inventory Optimization

Modeling inventory behavior across the end-to-end supply chain—from suppliers to customers—is a core benefit of Multi-echelon Inventory Optimization (MEIO) (Figure 2). MEIO evaluates all types of inventory throughout the tiers and locations of the supply chain and analyzes lead times, costs, and other factors. An MEIO strategy recommends amounts and placements of inventory buffers to minimize inventory cost while achieving required service levels at launch and throughout the lifespan of the product. MEIO-driven inventory targets outperform rules of thumb, and significantly surpass results achieved using single-stage inventory optimization.

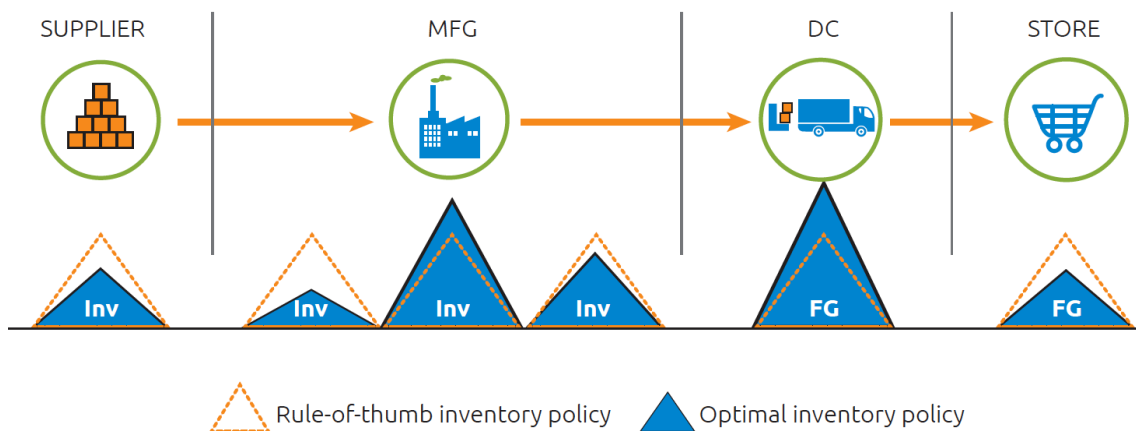


Figure 2. Example of Multi-echelon Inventory Optimization

After product launch, a crucial factor is right-sizing inventory throughout a product's life cycle. Too much inventory creates excessive discounting, obsolescence and write-offs. Too little inventory or inventory in the wrong location causes missed sales revenue.

The science of MEIO handles uncertain demand better than rules-of-thumb (such as 20 days of supply), ERP or spreadsheets (which do not consider variability).

By recognizing the interrelationships between supply chain stages, MEIO lets you react more quickly to real-time demand signals and make holistic inventory adjustments across the entire

network. An MEIO strategy helps process the uncertainty across the extended supply chain for a timephased forecast, with different phases displaying different levels of uncertainty (Figure 3).

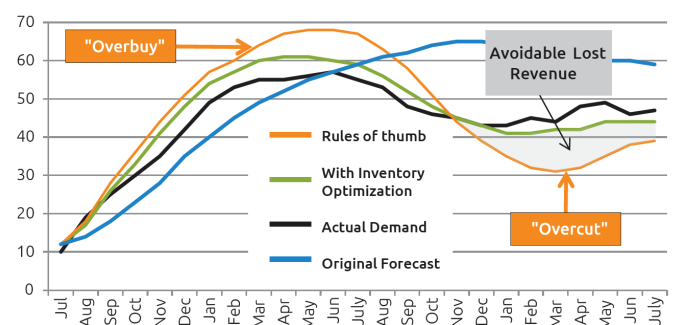


Figure 3. MEIO reduces supply chain whiplash

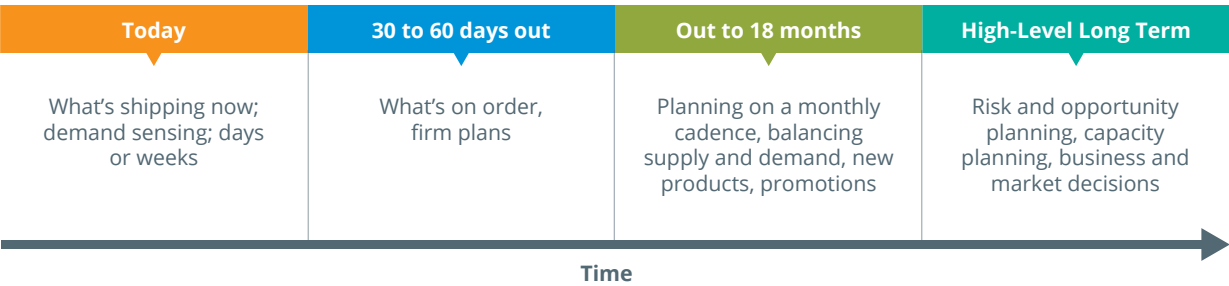
# Bridge The Gap: Fragmented Planning Horizons Undermine CPG Supply Chains

Even under the best circumstances, developing production/sourcing plans three, six, or nine months into the future with a high degree of confidence is difficult. Huge sales and margin impacts hang in the balance. Once orders are placed, the ability to nimbly respond to changes in demand can mean the difference between profit and loss.

A comprehensive planning system is essential in mastering long-, medium- and short-term business planning to ensure the right moves are made at the right time.

## The Challenge of Multiple Planning Horizons

While each business has its own approach and way of looking at the planning timeline, think in terms of four planning horizons:



Different non-integrated groups often manage segments of each planning horizon. As in the classic game of Telephone, when an initially clear message passes through a series of players, it gets distorted with every handoff until it is not recognizable. Managing planning horizons can be a similar experience—non-integrated processes can lead to miscommunication, misalignment, extra work and missed opportunities.

To exasperate the problem, planning is often conducted using standalone spreadsheets, which are poor collaborative tools and highly prone to error. With millions of SKUs and part numbers, plans fall into siloes that are buffered, biased and second-guessed out of all proportion to what's optimal (Figure 4).

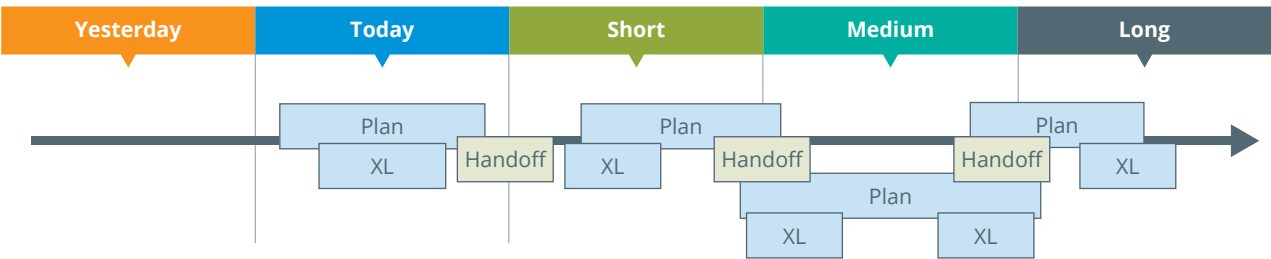


Figure 4. Independent planning activities create difficult handoffs

Integrating Horizons: One Plan to Rule Them All

A single, integrated phased planning solution unites short-, medium-, and long-term planning under one system, driving better practices and closer teamwork among planning teams—especially by creating smoother transitions between supply chain stakeholders.

With an integrated solution, handovers take place faster and seamlessly, and everyone gets reliable answers sooner, creating accurate forecasts and capacity plans at the appropriate aggregation level and time horizon.

Where once disconnected planners found out about problems too late to react effectively, an integrated solution provides instant alerts to deviations from the plan. Lag time between groups drops, and opportunities for miscommunication and distrust lessen. The tendency to “order too much” also decreases, which eliminates the creation of excess inventory buffers.

Crucial, long-term planning can be executed earlier with confidence, thus winning the race with competitors vying for capacity and resources at the same suppliers (Figure 5).

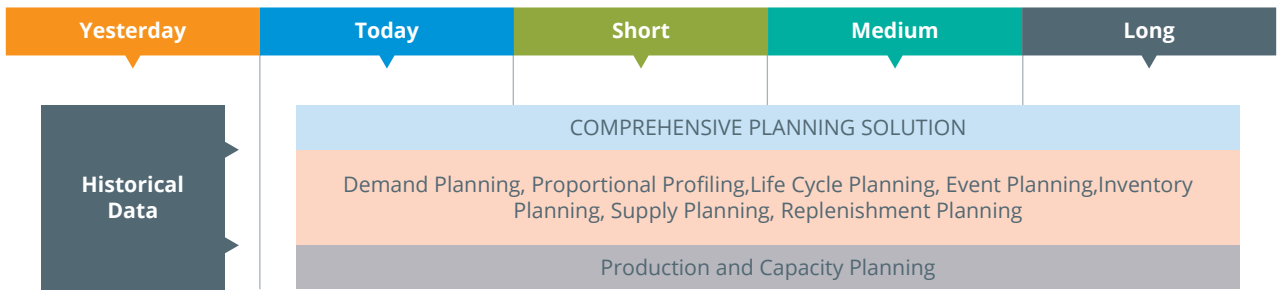


Figure 5. A single solution spans all planning horizons

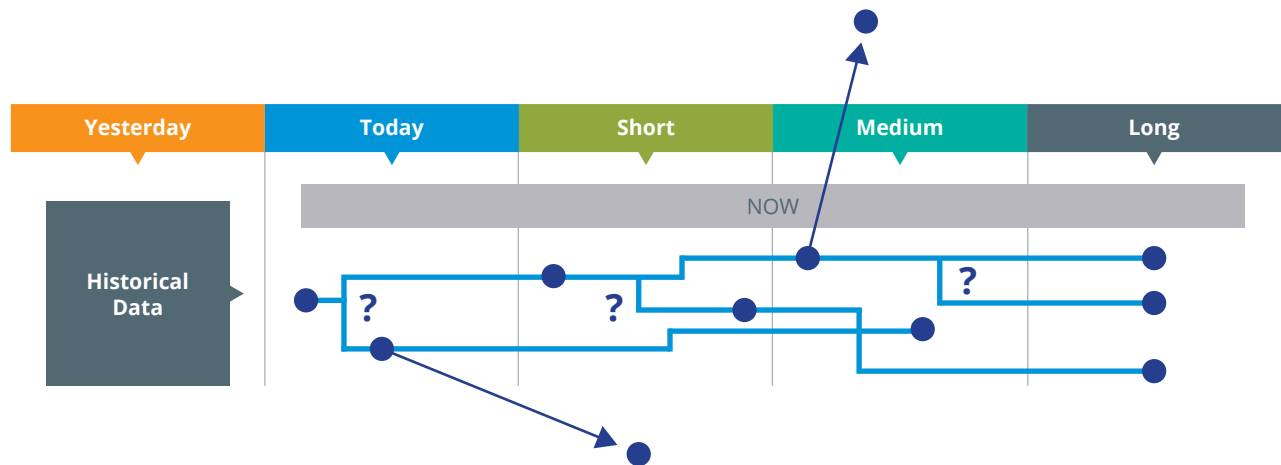


## Moving from Reactive to Proactive with Multiple “What-if” Scenarios

Consolidating the phased planning process not only improves communication, trust and responsiveness—it also delivers a strategic advantage in the form of faster, more insightful “what-if” scenario analyses.

“What-if” scenarios help analyze cost versus payback of typical high-low-medium planning scenarios (Figure 6). What happens if a product takes off? What if there’s a shortage? What if there’s a catastrophic political or geological event? How much buffer inventory should we hold? What are our alternate sources for production or shipping methods? Where and how should we adjust agreements with vendors and suppliers?

Given the formidable challenges of reserving capacity and material far into the future, a supply chain team’s top priority must be to unite the disparate planning processes that exist across different groups and different levels of aggregation over multiple planning horizons.



*Figure 6. “What-if” scenario analyses provide “good decision insurance”*



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*With Logility, we are better positioned to manage variability in the planning process, and have greater confidence in our ability to profitably balance supply and demand to meet corporate goals.*

**Ruth McElheny**  
Global Supply Chain – CooperVision

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## Success Story: CooperVision Clearly Sees Visibility Improvements

CooperVision is one of the world's leading manufacturers of soft contact lenses, selling up to 1.3 million unique contact lens configurations every six months.

### Challenge

CooperVision needed to gain global visibility into inventory, supply plans and demand plans across a large portfolio of products and increase forecast accuracy, improve inventory accuracy while cost-effectively maintaining high customer service levels.

### Solution

CooperVision implemented Logility and gained global supply chain visibility, increased SKU-level forecast accuracy, reduced inventory levels and advanced the corporate Sales and Operations Planning (S&OP) process.

### The Bottom Line

- » Increased SKU-level forecast accuracy
- » Improved planning process through better visibility and analysis of sales and forecasts
- » Reduced excess and obsolete inventory
- » Decreased inventory months on hand
- » Increased SKU-level forecast accuracy
- » Advanced the S&OP process with more accurate inventory targets, projected inventory balances and manufacturing requirements
- » Improved inventory turns by 20%
- » Increased service levels by 10 points in priority product families

## Top Supply Chain Issues In The Consumer Products Industry

Top Metrics Used by Consumer Products Companies for Supply Chain Improvement	%
Forecast Accuracy	76%
% Gross Margins	69%
Profitability	69%
% Complete Order Fill Rate/ Customer Services/Perfect Orders	66%
Inventory Turns	64%
% Out of Stocks	58%
Stockouts	52%
Days of Supply	51%
Increased Sales/ Increased Assets	51%
Lead-Times	51%
Other	4%

Top Metrics Used by Consumer Products Companies for Supply Chain Improvement	%
Applications are not integrated to each other	66%
Difficult to do "what if" scenario analysis	60%
Data gets outdated too quickly	45%
Inadequate reporting capabilities	45%
Applications are too expensive to implement and maintain	43%
Users are more comfortable with spreadsheets	42%
Applications are too complicated to implement and maintain	36%
Too difficult to run the S&OP application more frequently	33%
Other	6%

Source: Logility & Consumer Goods Technology



# Conclusion

As consumer products supply chains grow more complex, supply chain teams need powerful solutions to enable them to meet ever-changing demand performance objectives. The Gartner Hierarchy of Supply Chain Metrics places forecast accuracy at the top because of its impact on other supply chain metrics. The ability to develop accurate forecasts throughout a product's life cycle is critical to both top- and bottom-line performance.

The benefits of Multi-echelon Inventory Optimization are well established by hundreds of companies of all sizes. Leading organizations have shown that right-sizing inventory buffers and restructuring where and how inventory is held can drive powerful financial benefits.

Integrated business planning across all planning horizons is an important key to meeting customer requirements effectively and efficiently while minimizing risk and maximizing business opportunities.

Learn how Logility helps consumer products companies use Integrated Business Planning to build a supply chain for the future:



Reduced Inventory & Operating Costs



Improved Customer Service



Increased Business Alignment



Increased Profits



## About **Logility**

Accelerating the sustainable digital supply chain, Logility helps companies seize new opportunities, sense and respond to changing market dynamics and more profitably manage their complex global businesses.

The Logility® Digital Supply Chain Platform leverages an innovative blend of artificial intelligence [AI] and advanced analytics to automate planning, accelerate cycle times, increase precision, improve operating performance, break down business silos and deliver greater visibility. Logility is a wholly owned subsidiary of American Software, Inc. [NASDAQ: AMSWA].

**To learn how Logility can help you make smarter decisions faster, visit [www.logility.com](http://www.logility.com).**

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