

White Paper

# **Bridge the Gap:** How Fragmented Planning Horizons Undermine CPG Supply Chains

Master long, medium and short-term business needs  
in one comprehensive planning system

## Executive Summary

Today, a broad range of consumer products companies operate similarly to businesses we traditionally call “fashion-orientated.” For example, cell phone and electronics makers view their products more as fashion items because they experience high turnover in styles, colors and assortments. In an era when consumer packaged goods [CPG] manufacturers face the threat of disintermediation by big retailers, restoring power to the brand can involve going direct to the consumer via premium outlets, factory stores, ecommerce/ omni-channel selling and even new “store-within-a-store” models.

With product variants proliferating and more direct access to the consumer, CPG supply chain teams must maneuver astutely around seasons, assortments, promotions and retail demand signals across multiple planning horizons. Coordinated planning across the short, medium and long-term horizons is absolutely crucial to profitability and competitiveness. But is planning in your organization seamless, or a seemingly hopeless fragmented process?


Even under the best circumstances, the “bets” planners place on products and materials two, three or more seasons into the future are difficult to make with confidence. Huge sales and margin impacts hang in the balance. And once those bets are placed, the ability to respond to changes in retail demand and other factors can literally mean the difference between profit and loss.

This paper looks at the role a comprehensive planning system plays in making the right moves at every phase, spanning long, medium and short horizons.

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The background of the slide features a dark, moody image. In the foreground, the silhouettes of three people are visible, their heads and shoulders outlined against a darker background. They appear to be looking towards the right. Behind them, a city skyline is visible at night, with several tall buildings illuminated. A network of thin, light-colored lines connects various points across the image, including the silhouettes and the city, creating a sense of interconnectedness. The overall color palette is dark, with shades of blue, grey, and black, accented by the white and teal text.

**An integrated solution** that spans both the demand-side and supply-side in a single shared platform provides everyone with one clear place to view the long-term plan.

## Bridge the Gap: The Challenge of Multiple Planning Horizons

Fast-moving consumer goods focus on innovation, but offering new and improved products that excite consumers drives demand across a long window of capacity group planning. In addition, the company's financial plan, which stretches three to five years out, must be supported by the demand plan, meaning that planners may have to make decisions as much as six seasons in advance.

- 1 The real value of forecasting is often hidden from executive management.
- 2 Forecasting expertise is difficult to hire, train, and retain.
- 3 Forecasting tends to be decentralized, lacking an executive champion.
- 4 Using Excel as a forecasting "system" is not a best practice.

**Planners may have to make decisions as much as six seasons in advance.**

### Multiple planning horizons are a way of life for CPG teams



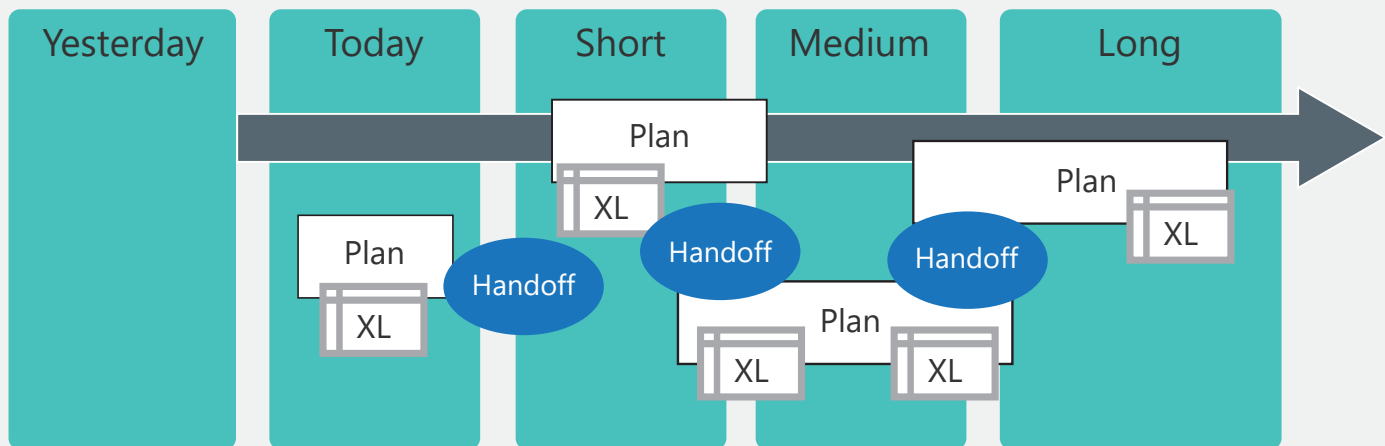
The segments of this rolling horizon are often managed by different planning groups that are not integrated with each other. As in the classic game of Telephone, when an initially clear message is passed through a series of players, it becomes more and more distorted with every handoff until it is garbled beyond recognition, or more insidiously, altered to say something unintended.

When worked as non-integrated activities, long-term plans must be passed to a second group that plans to lower level attributes [e.g. size, finish, special features], creating tough-to-manage transitions. Promotions planned in isolation may cause demand lifts that erroneously become part of the baseline forecast in the next planning cycle.

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 in play, siloed plans are buffered, biased and second-guessed out of all proportion to what's optimal. The gears of the planning machine do not mesh well.

**The demand plan can become distorted as information is handed off from one siloed group to the next.**

#### Independent planning activities create difficult handoffs



## Integrating Horizons: One Plan to Rule Them All

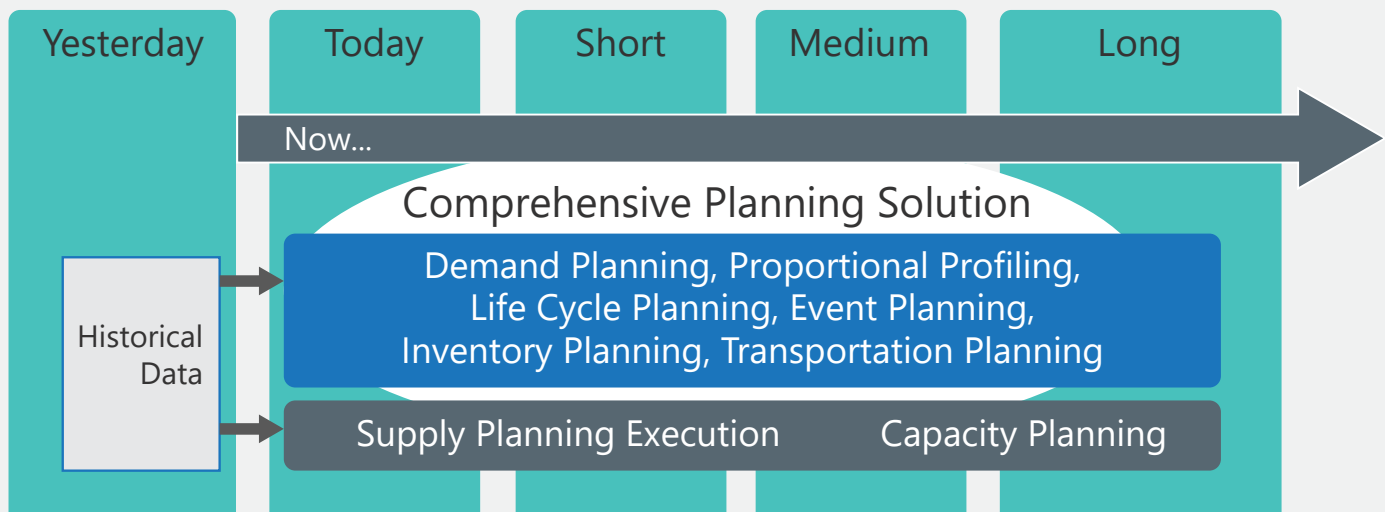
Bringing everyone together under one system unites disparate planning activities—including marketing events and sales promotions—across all levels of aggregation and time horizons. An integrated solution that spans both the demand-side and supply-side in a single shared platform provides everyone with one clear place to view the long-term plan. 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.

The system measures time-phased key performance indicators [KPIs] from one end to the other to reveal how well the plans perform from one horizon to the next. Where once disconnected planners found out about problems too late to react effectively, now alerts instantly call attention to deviations from the plan. Lag time between groups is reduced, opportunities for miscommunication and distrust are minimized, as is the tendency to “order too much,” creating excess inventory buffers.

Crucially, long-term planning can be executed earlier with confidence, thus winning the race with other competitors vying for capacity and resources at the same suppliers.

Comprehensive time-phased planning also produces a better procurement plan for key raw materials, such as specialty ingredients or components. These key materials often have the longest lead times and must be reserved before it is certain exactly which products will be coming out from the design teams. An integrated planning solution lets us get information to vendors sooner, talk the same language and negotiate a win-win outcome more successfully. This results in “beating the competition to the punch” when obtaining items from key suppliers.

### A single solution spans all planning horizons





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

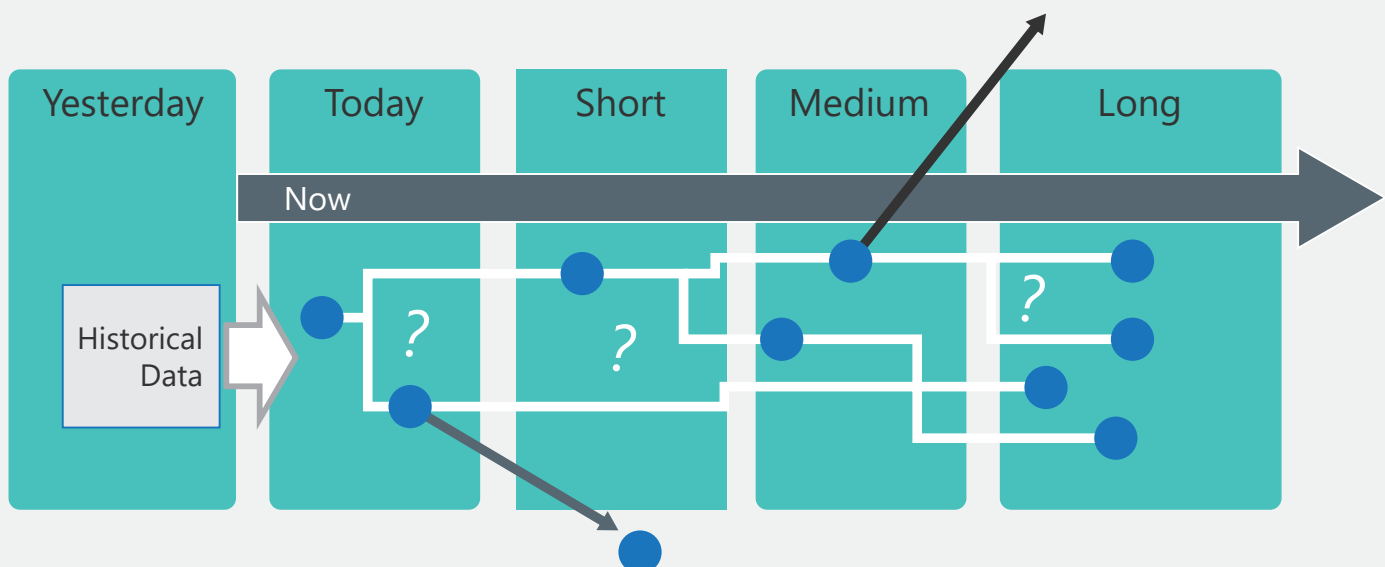
Consolidating the phased planning process not only improves communication, trust and responsiveness—it also delivers a strategic advantage in the form of faster, more insightful “what-if” scenario analyses.

Targeted analyses can be performed to walk through the cost vs. payback facets of typical high-low-medium planning scenarios. What happens if a product takes off? What if there’s a shortage? What’s the likely impact of promotion programs? 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?

**Faster, more insightful “what-if” scenario analyses create a definite strategic advantage.**

Today’s consumer goods companies are introducing more new products more often than ever. Conducting successful new product introductions, which are by definition the hardest life cycles to predict, requires masterful teamwork at every phase of the planning process. For instance, transitioning from the long-term horizon to the medium term typically signals a commitment from capacity reservation to building actual products or subassemblies. At this point, with a smooth handoff and good collaboration, the plan can still flex to increase and decrease orders. Even when products are in transit [30 to 90 days out] a phased planning system can react to changes in the demand signal; in this case flexing to explore “What can be done with product that is definitely coming”? Ultimately, short-term planning becomes an allocation effort to maximize results by placing product assortments in the most advantageous retail location across regions, stores, ecommerce, outlet and catalog channels.

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



## Conclusion

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.

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 from one supply chain stakeholder to another.

Benefits of adopting an integrated phased planning system include:

- Better management of supply and demand over the entire horizon
- More effective collaborative planning building real trust between groups
- Earlier capacity reservation at key suppliers—including specialty suppliers
- Quicker reaction time to unexpected disruptions in the supply chain
- Alert-driven responsiveness and adjustments to reservations with suppliers
- Accurate handling of promotional demand
- Faster, targeted “what-if” analyses to evaluate and prepare for contingencies
- KPI measurements that reveal the truth about “How we’re doing” across all planning horizons

Given the needs of fast-moving consumer goods businesses, supply chain teams are advised to ask themselves an overarching multi-part question:

“Does our planning process unite the functions in our organization, make it easy to cooperate, simplify hand-offs, build trust, peer accurately further into the future, reserve capacity and negotiate with vendors more confidently, and allow us to evaluate likely contingencies to find the best strategy going forward?”

If the answer to this big question is “not really,” it’s time to adopt a phased planning solution that provides better answers faster, and sparks smarter business decisions over the long term.

**An integrated phased planning solution spans multiple planning horizons, drives better practices, and fosters closer teamwork between planning teams.**





## 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].

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