



Supply Chain Threats and Opportunities Facing the Consumer Durable Goods Industry

The consumer durable goods industry is experiencing significant supply chain threats, from product proliferation, demand volatility, intense global competition, evolving regulations and constrained supply brought on by a long period of sustained growth. Only an extremely efficient and resilient supply chain can deliver high-quality, differentiated products at the cost and service levels consumers expect.

This eBook explores five areas where the greatest threats occur and presents opportunities in each one to help consumer durable goods companies stay competitive.

How resilient is your organization?

Showing % of organizations reporting “very” or “extremely” resilient and what positive quality contributes to that resiliency



Source: COVID-19 IMPACT ON IT SPENDING Survey (Survey conducted during 7th July to 20th July period), IDC, July, 2020. N= 844 WW technology decision makers



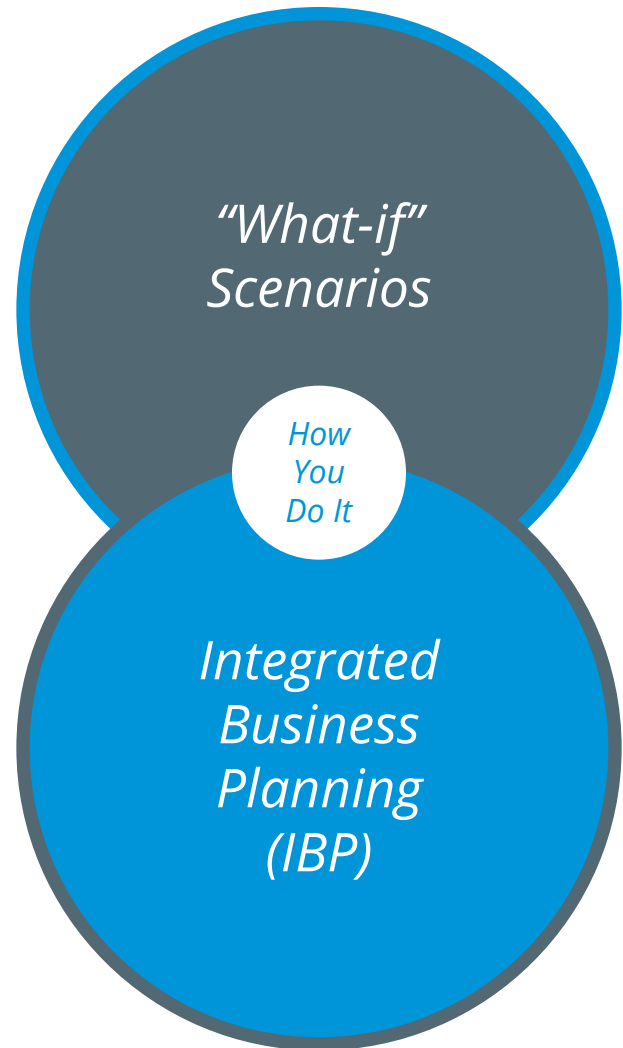
THREAT 1: Rapid Changes in the Global Marketplace



Threat: The demand for consumer durable goods is highly correlated to economic strength, making the industry largely dependent on disposable income. The global market has witnessed a surge in demand as developing economies provide more disposable income to more potential buyers. Disposable income can ebb and flow abruptly due to natural and man-made disruptions, leaving durable goods manufacturers scrambling to deal with excess inventory. Many durable goods also have a limited shelf-life due to constant advances in technology and everchanging customer tastes.



Opportunity: It is vital to anticipate potential market changes across multiple time horizons in order to mitigate risks and embrace opportunities. Risks and opportunities must be evaluated from a volumetric standpoint, as well as from their financial impact on the business.



IBP users drive more S&OP benefits from scenario planning than non-users do.

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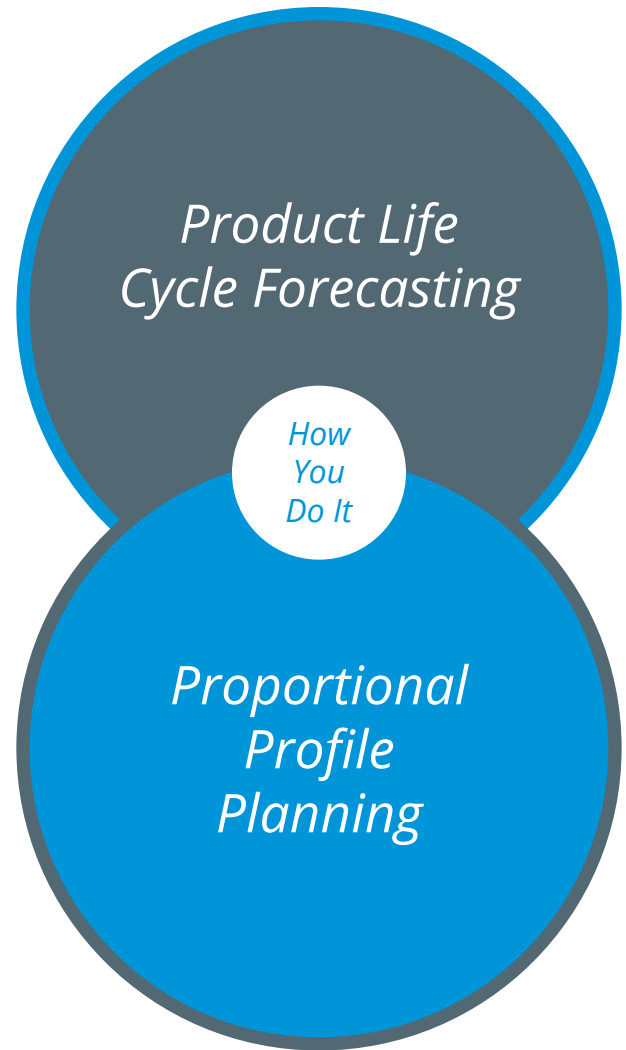
THREAT 2: Expanding Consumer Product Preferences



Threat: The consumer durable industry is experiencing rapid product innovation. Regional preferences and a variety of cost-conscious to luxury product features are driving proliferation of components, work-in-process assemblies and finished products. Combine this with limited life-spans due to rapidly advancing technology and fickle customer tastes, and you get a constant cycle of product introductions and discontinuations to manage. This variety, complexity and variability makes it harder to accurately forecast demand, leading to more just-in-case inventory.



Opportunity: To neutralize growing inventory positions, durable goods manufacturers need to enhance their ability to accurately forecast product demand at all stages of a product's life cycle.



*Optimization evaluates the trade-offs
between service level goals and inventory cost.*

THREAT 3: The Rise of Excess Inventory



Threat: Competition in the consumer durable market has intensified. New players are offering innovative and lower cost products and distribution options. Growing competition has pushed major durable goods producers to spend more on advertising and increase promotional discounts in an attempt to maintain market share. Stock-outs are extremely costly and often lead to consumers buying competing brands. It is imperative to have the right inventory available when and where demand takes place. These challenges have led to more inventory-stocking locations and higher overall inventory positions.



Opportunity: Durable goods companies should consider the convergence of e-commerce and brick-and-mortar (e.g., home delivery, click and collect) holistically rather than as distinct channels, especially when considering inventory stocking and buffer locations..

How
You
Do It

*Multi-echelon
Inventory
Optimization
(MEIO)*

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Nearly 85% of retailers listed inventory optimization as a top priority for tech investment in the near future.

Source: “Supply Chain Survey”, IDC, 2020

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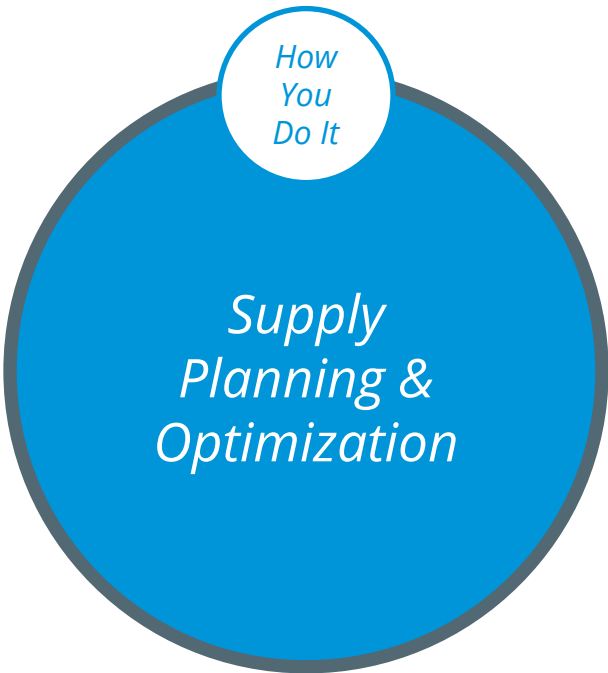
THREAT 4: Fluctuating Capacity Requirements



Threat: Variability in demand for consumer durable products can lead to significant manufacturing capacity and inventory issues, notably for companies that plan and operate multiple distribution channels supported by multiple manufacturing plants. Planning and operating multiple supply chains leads to inefficiencies that can wipe out tight operating margins—especially if visibility is limited to a single supply channel.



Opportunity: An industry best practice is to optimize all operations across the extended supply chain at the same time, considering as many variables and locations as possible to gain greater visibility and efficiency.



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When we started with Logility, 33% of our inventory was deemed excess, above what our forecast would dictate. We’ve reduced that to half, working to a goal of 15%.

**Demand Planning Manager
SnapAV**

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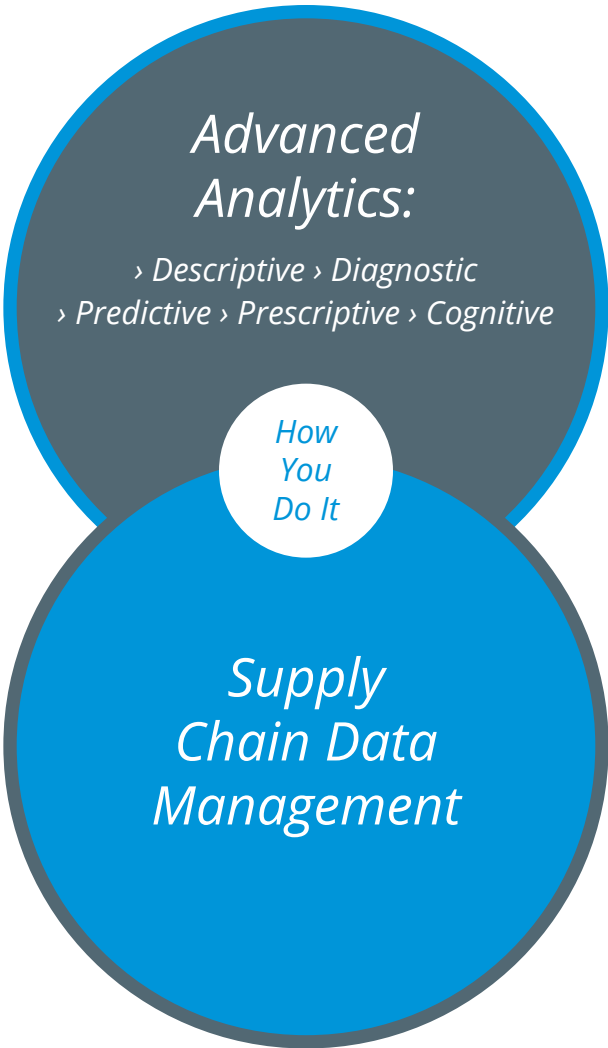
THREAT 5: Relying on Spreadsheets for Analytics



Threat: Building robust supply chain analytics capabilities is more important than ever. It is becoming harder and harder for supply chain teams to address management mandates to reduce costs while also meeting ever increasing customer expectations. Relying on spreadsheets is not a strategy, it's a recipe for failure. To complicate matters, finding and retaining qualified supply chain talent continues to be an issue. Top supply chain talent tends to migrate to companies that have invested in modern solutions that enable advanced analysis and problem solving.



Opportunity: Accelerating the adoption of advanced analytics by moving from basic descriptive to advanced cognitive analytics is a journey that builds on each step along the way. Leveraging advanced analytics requires simultaneous investments in improving business processes, talent, data management and enabling systems.



The Analytics Maturity Curve
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Conclusion

In an era of global sourcing and intense competition, consumer durable goods companies must overcome a growing list of supply chain threats and turn them into opportunities to compete and win in the global economy.

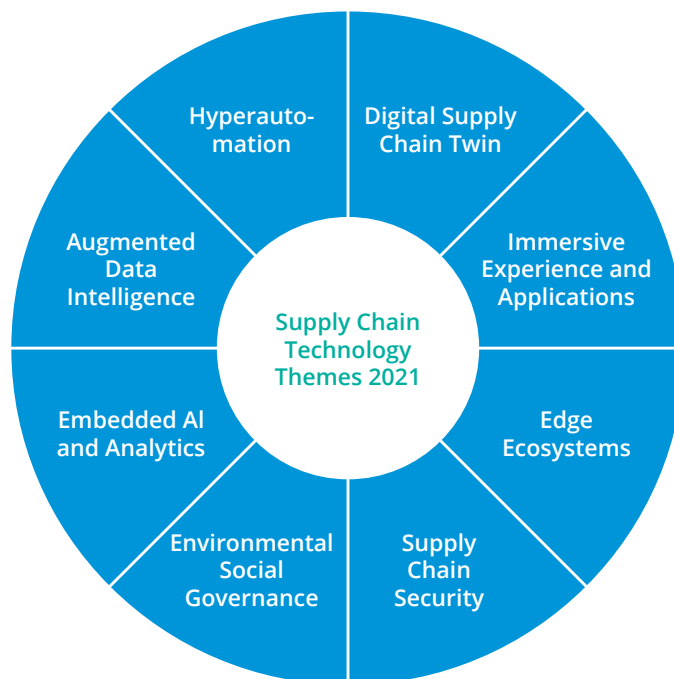
It is vital that durable goods companies make effective supply chain planning and optimization decisions in two key ways:

- » Capturing, verifying and combining information to enable rich analysis, decision making and rapid response to planned and unplanned events
- » Developing robust integrated business planning capabilities supported by a comprehensive supply chain planning and optimization platform to reduce cycle and response times, maximize resource utilization and improve the effectiveness of the extended organization.

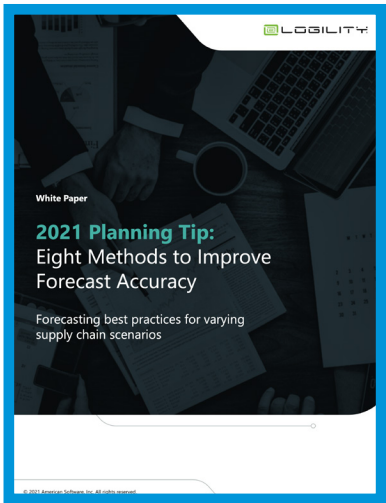
Consumer durable goods companies who do these things stand to have greater supply chain resilience and ability to mitigate risks, leading to top line growth and earnings performance.

2021 Supply Chain Technology Themes

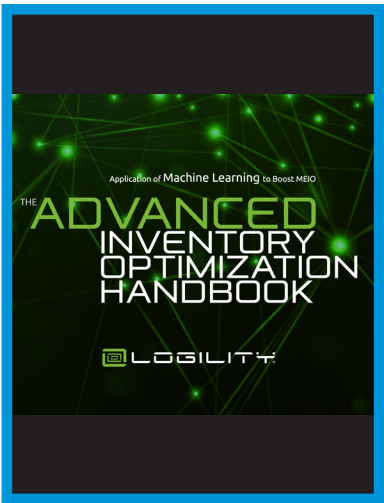
Source: Gartner



Additional Resources



Eight Methods that Improve Forecast Accuracy



The Inventory Optimization Handbook



Top Three Reasons to Embrace and Integrated Business Planning Process





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.

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