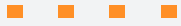


FROM REACTIVE TO PROACTIVE: NO-REGRET SUPPLY CHAIN STRATEGIES FOR CONSUMER PACKAGED GOODS



LONG-TERM CHANGES ON THE HORIZON



Change has always been part of surviving in the highly competitive and commoditized market for consumer packaged goods (CPG). But throughout the COVID-19 pandemic, that reputation for evolution went into overdrive as consumers continued to dramatically shift their regular shopping habits and preferences.

The industry – suppliers, manufacturers, distributors, and retailers alike – has learned to adapt as quickly as consumer activities evolved. Companies are now selling products online, offering subscription delivery services, and modifying packaging to be more sustainable. They are even readjusting traditional pricing strategies to stay competitive and profitable.

But that doesn't mean that the CPG companies aren't facing their share of challenges, too. Supply chain disruptions, which largely began at the beginning of the pandemic, are unlikely to be

resolved fully or quickly any time soon while labor shortages and rising costs threaten desired growth. And when brands cannot deliver on consumer demand, people have a variety of alternatives to consider, try, and become loyal to.

Unfortunately, this pandemic-induced market dynamic is becoming a long-term condition that companies must navigate confidently with a resilient supply chain. They must learn to balance safety stock levels with rising variability in demand and supply while reducing spend and avoiding the sale of overstock at a loss. And all these elements must be coordinated perfectly across the supply chain to keep the business profitable and satisfy customer needs.

With this e-Book, you'll examine three digital supply chain solutions that can help your business become more resilient against market volatility while supporting strategic change.



BEHIND THE SCENES OF SUPPLY CHAIN INSTABILITY ■ ■ ■ ■ ■ ■ ■ ■

From raw materials to consumers' homes, a series of missing links, volatile conditions, and evolving market opportunities is fueling disruption across the entire CPG supply chain.

Labor shortages	Although hiring is outpacing quits, consumer demand continues to rise beyond pre-pandemic levels. Suppliers, manufacturers, distributors, and retailers are so short of a robust workforce that goods cannot be produced, transported, and shelved fast enough.	4.5% growth in new workers hired in November 2021, compared to a 4.2% increase in resignations ¹
Changing consumer preferences	Consumers have consistently shifted their preferences throughout the pandemic, placing more value on convenience, comfort, and personal health and safety.	60% of consumers who tried stores, websites, or brands during the pandemic are expected to integrate them in their post-COVID-19 lives ²
Supply volatility	Weather, geopolitical measures, labor shortages, and trade conditions are creating sourcing problems that increase the risk of leaving consumer demand unfulfilled – leaving many store shelves empty and increasing stock-outs across direct-to-consumer channels.	48% of consumers decide to try a new brand based on availability, followed by convenience, value, and quality ³
Sustainability demands	Despite COVID-19, consumers are more aware of how their choices impact the desire for a carbon-neutral society and greater access to the products they purchase. As a result, they are actively looking for innovative and sustainable products with traceable origins.	69% of consumers consider sustainable sourcing of packaging materials as being important to them ⁴
Go-to-market versatility	The introduction of more direct-to-consumer channels is expanding omnichannel networks, focusing on online and digital experiences and forcing suppliers to accommodate new requirements.	35% higher e-commerce penetration in the United States compared to pre-COVID levels ⁵

1. Elizabeth Crawford, "Labor Challenges Hitting the CPG Industry Persist, Prompting Calls for Help From Government," Food Navigator (USA), January 2022.

2. "Five Fifty: The Quickening," McKinsey, July 2020.

3. Tamara Charm, Becca Coggins, Kelsey Robinson, and Jamie Wilkie, "The Great Consumer Shift: Ten Charts That Show How U.S. Shopping Behavior Is Changing," McKinsey & Company, August 2020.

4. Lisa Johnston, "Despite Skepticism, Consumers Want Brands to Have Greener Packaging," GlobalData, Consumer Good Technology, December 2021.

5. Tamara Charm, Becca Coggins, Kelsey Robinson, and Jamie Wilkie, "The Great Consumer Shift: Ten Charts That Show How U.S. Shopping Behavior Is Changing," McKinsey & Company, August 2020.

LIFE CYCLE PLANNING ■ ■ ■ ■ ■ ■ ■ ■

A global pandemic, changing consumer expectations, and sustainability concerns are redefining the CPG landscape. To continuously adapt to growing expectations, companies must connect, predict, and respond to change with greater precision.

By shifting from running supply chains to becoming supply brains, every participant in the CPG value chain can operate with data at its core and embedded artificial intelligence throughout the

system. Doing so enables businesses to thrive by providing consumer insights more frequently and across longer horizons while creating new opportunities for inclusive prosperity and producing more circular, regenerative offerings.

With a life cycle planning solution, you can accurately forecast demand for new products, short-life or seasonal products, and end-of-life products using attributes such as color, price point, country of origin, and material types.



Create meaningful demand profiles quickly

Mine millions of records with embedded artificial intelligence to build demand profiles quickly based on defined attributes common to existing products.



Automate the validation of demand profiles

Evaluate and validate demand profiles based on advanced statistical techniques to automatically predict future selling patterns accurately.



Enhance visibility into demand patterns

Configure alerts to detect and resolve critical supply chain issues, and analyze “what-if” scenarios with predictive modeling to improve decision-making.



Improve global demand planning

Roll up inventory, production, and transportation forecasts to gain more granular insight into costs and revenue performance across currencies and life cycle stages.



PRICING AND PROMOTION ANALYSIS

The economic fallout from the pandemic is creating opposing market dynamics. On one end of the spectrum, prices are rising so high and so quickly that consumers may no longer be able – or willing – to pay them. But on the other, growing fear over consumer goods shortages is fueling a Darwinian-like shopping mindset.

When combined, these conflicting factors challenge CPG companies to balance supply and demand effectively while maintaining razor-thin profit margins. Supply chains must accurately predict and respond to promotionally driven demand spikes and model inventory requirements to improve in-stock rates.

With a pricing and promotion analysis solution, you can explore the full impact of pricing changes and promotions on demand to make decisions that will neither alienate consumers nor diminish your bottom line.



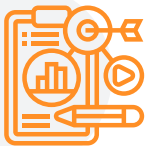
Advance inventory management

Accelerate inventory velocity and boost customer satisfaction with detailed visibility of upcoming inventory requirements with a promotional calendar.



Align cross-functional strategies

Allow brand managers, marketers, and planners to collaborate on predictive scenarios to achieve market share, unit, revenue, and profit goals.



Improve inventory and capacity planning

Gain actionable insights into why existing pricing models fail to account for critical segmentations, such as customer demographics, geography, and category.



Support disciplined price modeling

Analyze the impacts of price changes iteratively, then generate a promotion forecast based on anticipated uplift in demand and revenues.

MAKE DEMAND PLANNING MORE DYNAMIC WITH PRICING AND PROMOTION ANALYSIS

This solution can help you overcome your top pricing and promotion challenges:

- » For products with elastic demand, frequent price manipulation can create turmoil for those managing distribution, inventory and fulfilment. **Understand elasticity** across a variety of attributes, predicting uplift and enabling the supply chain to better plan for demand.
- » Manual processes for managing pricing scenarios are quickly outgrown. **Modernize pricing and promotion management** by creating a timely and trustworthy foundation for global pricing decisions.
- » It is difficult to align inventory decisions with marketing campaigns. **Predict demand spikes** and uplift resulting from promotions or price reductions, preventing stock-outs and improving inventory turns.
- » Pricing and promotion data are stored in spreadsheets, a product information system or a trade promotion management system. **Leverage a single platform** with an integrated data model to ensure everyone is planning to a single source of truth, from marketing to operations.



INVENTORY OPTIMIZATION ■ ■ ■ ■ ■ ■ ■

After serious vulnerabilities were exposed in the early days of the COVID-19 pandemic, CPG companies began to rethink their existing value chain. For example, shoppers had limited access to everyday items – such as toilet paper, healthcare products, cleaning products – due to shortages and disruptions in logistics and delivery services. Meanwhile, interruptions in chip production left consumer electronics and automotive manufacturers with no way to fulfill surging demand.

This gap between supply chain performance and fulfillment of consumer demand may seem grim, but there is good news. A combination of processes, data, and technologies are converging together to help brands gain the real-time, predictive visibility and insight needed to drive multi-echelon inventory optimization (MEIO).

With MEIO, you can position your supply chain to minimize costs and reduce risk while meeting customer service levels.



Synchronize goals

Balance strategic business goals with tactical inventory targets.



Maximize service levels at a lower cost

Reach the highest possible service levels with minimal strategic investment in inventory.



Reduce costs

Free up millions in working capital trapped in excess inventory while lowering logistics costs up to 15%.



Balance investments against goals

Use advanced modeling to evaluate multiple strategies, compare outcomes, and find your optimal solution.



Automate changes

Automate inventory policy updates, broad-based changes, time-phased safety stock policies, and override identification at the lowest level of detail in the supply chain.

BUILD THE RESILIENCE TO SATISFY A POST-PANDEMIC MARKETPLACE

As the speed and complexity of change continue to accelerate, CPG supply chains must step up to satisfy customer cravings in reliable, adaptable, and resilient ways.

CPG companies can strengthen the resilience of their supply chains by digitally transforming four key areas:

- » Life cycle planning
- » Pricing and promotion analysis
- » Inventory optimization

Logility is uniquely positioned to help CPG companies like yours rethink these supply chain strategies with the Logility® Digital Supply Chain Platform. The platform provides a comprehensive set of solutions that can enable you to plan and execute your operating strategy based on a clear view of your global supply chain and emerging disruptions. Best of all, you can position your business to thrive in a climate of stricter regulatory burdens, increased demand for sustainability, and ever-evolving commerce expectations.

ADDITIONAL RESOURCES



A Digital Transformation Guide for Supply Chain Disruptions



Defining the Right Supply Chain Planning Strategy in the CPG Industry



The Advanced Inventory Optimization Handbook



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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