

A NETWORK BUILT FOR RESILIENCE: **TOP SUPPLY CHAIN STRATEGIES FOR CONSUMER DURABLE GOODS**



A MARKET OF NEW ATTITUDES, BEHAVIORS, AND EXPECTATIONS

Durable goods companies have demonstrated impressive buoyancy since the start of the pandemic in 2020. New consumer trends have emerged and prompted incredible demand for jewelry, hand and power tools, consumer electronics, furniture, household appliances, and other goods — and e-commerce has become an integral part of that purchasing behavior.

While the level of demand is tremendously high, significant risk and disruption are making it untenable to sustain. Supply chain glitches have dominated this industry with a toxic scenario of port congestion, labor shortages, inflationary pressure, tightening monetary and trade policies, and rising prices for raw materials, energy, and logistics. And companies that cannot navigate every shift along the way with agility, speed, and flexibility ultimately fall behind and may not recover fast enough to regain any momentum toward meaningful growth.

Our best advice for durable goods companies is to arm themselves with information. With the right data and analysis capabilities, organizations can anticipate and understand what consumers want and where they are, where the market is heading, and how incremental change impacts the future of the business.

This intelligence enables businesses to create high-margin innovation and increase operational productivity to improve financial performance, gain competitive advantage, and provide outstanding customer service. But more importantly, they can become a brand that consumers can trust will respond to their needs with fast and purposeful innovation, no matter how turbulent the economy or marketplace is.

With this eBook, you'll examine three digital supply chain solutions that can help your business gain the level of resilience needed to fluidly evolve with changing consumer attitudes, behaviors, and expectations.



IN THE BACKGROUND OF SUPPLY CHAIN VOLATILITY

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

Labor shortages	Despite signs of some deceleration, consumer demand is still higher than beyond pre-pandemic levels. Suppliers, manufacturers, distributors, and retailers are so short of a robust and healthy workforce that goods cannot be produced, transported, and shelved fast enough.	65% of vacant jobs could be fulfilled if every unemployed person with experience in the durable goods manufacturing industry were employed ¹
Changing consumer preferences	Consumers seek out brands, products, and experience that gives them an immediate, even if temporary, perception of happiness, comfort, and relief, especially amid fears around financial security and personal health.	44% of consumers are represented by those who choose products and brands based on how well they align to their values ²
Supply volatility	Weather, geopolitical measures, labor shortages, and trade conditions are creating sourcing problems that increase the risk of leaving consumer demand unfulfilled – 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.	Six in ten companies are making moderate, if not significant, investments to increase transparency for consumers and other stakeholders ⁴
Go-to-market versatility	Consumers want to be engaged as individuals and in ways that they can trust. To satisfy that need, they are seeking direct-to-consumer experiences that provide personalized and convenient service and keep their personal information private and secure.	50% of surveyed companies believe consumers lose trust when an experience fails to engage shoppers in a personalized manner ⁵

1. Stephanie Ferguson, "Understanding America's Labor Shortage: The Most Impacted Industries," U.S. Chamber of Commerce, February 2022.
2. Karl Haller, Mary Wallace, Jane Cheung, and Sachin Gupta, "Consumers Want It All: Hybrid Shopping, Sustainability, and Purpose-Driven Brands," IBM Institute for Business Value, January 2022.
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. "2022 Consumer Products Industry Outlook," Deloitte, 2022.

SOURCING MANAGEMENT

Despite experiencing ongoing growth worldwide, the durable goods industry faces significant supply chain threats — ranging from product proliferation, intensifying global competition, and evolving regulations to shortages in natural resources and available labor. All these pressures and more are stretching the limits of traditional sourcing strategies when ensuring the delivery of high-quality, differentiated products at the cost and service levels customers expect.

To remain competitive, businesses need the flexibility to choose alternate sourcing options. Having a diverse supplier network allows supply chain organizations to respond quickly to supply variability, demand fluctuations, and vendor unreliability and capacity, particularly beyond the first tier.

By using a supply chain platform that connects sourcing, procurement and planning data and processes, you can enhance supply chain visibility and collaboration and act on opportunities swiftly and mitigate risks effectively in a supply-constrained environment.



Optimize complex sourcing and production scheduling

Compress purchasing lead times by positioning raw materials for planning production cycles or series.



Improve margins with greater visibility and insight

Apply postponement techniques to adjust work-in-process inventories and shrink markdowns and closeouts.



Reduce time to market and supply risk

Balance production capacity and product demand and cut unanticipated logistics expenses with on-time deliveries from global production facilities.



Enhance quality of services and goods

Reduce product defects by managing on-site quality audits and compliance with completion rates, sample approvals, performance testing, and more.

MANUFACTURING PLANNING AND OPTIMIZATION

Whether manufacturing appliances, furniture, sporting goods, consumer electronics, power tools, or any other durable good, the challenge is not just ensuring production capacity can meet demand. Supply chains must also anticipate evolving market conditions, then pivot production to respond to them.

Recognizing this new reality is critical to drive sales and operations planning (S&OP) excellence. By maintaining a consistent view of supply and demand, manufacturers can create long-term capacity plans and detailed short-term schedules that increase production throughput, respect manufacturing constraints, optimize changeovers, and lower inventory.

With a manufacturing planning and optimization solution, you can balance supply and demand through a realistic model of your manufacturing environment and relevant production constraints supported by a single platform.



Balance inventory with consumer demand

Achieve inventory goals and meet customer service targets for on-time delivery and performance with insights from a single platform for supply chain decision-making.



Anticipate issues early on and resolve them

Foresee challenges and evaluate alternatives with constraint-based schedules, realistic capacity plans, and easy-to-use visual tools that help maximize throughput.



Optimize shelf life strategically

Sequence on-hand lots, planned production, and planned receipts of raw materials, intermediates, and finished goods by using multiple what-if simulations.



Extend planning logic beyond shop orders

Manage single and multi-period forecast consumption, measure demand netting against inventory, scale time-phased safety stocks, and update released orders.

INVENTORY PLANNING AND OPTIMIZATION

After serious vulnerabilities were exposed in the early days of the COVID-19 pandemic, durable goods companies needed to rethink their existing value chain. For example, shoppers had limited access to products due to shortages and disruptions in logistics and delivery services. Meanwhile, interruptions in chip production left consumer electronics 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).

An MEIO solution can help 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.

A FOUNDATION OF RESILIENCE FOR A POST-PANDEMIC WORLD

As the speed and complexity of change continue to accelerate, the durable goods sector must invest effectively, serve empowered consumers, meet the challenges of expanding supply networks, and seize the increasing popularity of direct-to-consumer sales models.

Durable goods companies can excel in this ever-changing landscape by digitally transforming three key areas:

- » **Sourcing management**
- » **Manufacturing planning and optimization**
- » **Inventory planning and optimization**

Logility is uniquely positioned to help durable goods companies like yours rethink these supply chain strategies with the Logility® Digital Supply Chain Platform. The platform provides a comprehensive set of solutions that leverage artificial intelligence, machine learning, and advanced analytics to enable autonomous supply chain planning from product concept to consumer availability.

With our platform, you can plan and execute your operating strategy based on a clear view of your global supply chain and emerging disruptions while automating, optimizing, and collaborating your supply chain network. Your operations become more resilient, time to market is accelerated, costs are lower, and product and service quality is better than ever. 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



Smooth Sailing with S&OP



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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