



 LOGILITY

A RECIPE FOR RESILIENCE:
STRATEGIES TO STRENGTHEN
YOUR FOOD AND BEVERAGE
SUPPLY CHAIN



AN EVOLUTION LIKE NO OTHER

Change has always been part of surviving in a highly competitive and commoditized market for food and beverage (F&B) brands. But as soon as the COVID-19 pandemic set in, that reputation for evolution went into overdrive as consumers dramatically shifted their regular shopping habits and preferences within days.

The industry – producers, processors, and distributors alike – had no choice but to learn to adapt as quickly as consumer activities evolved. Companies created smaller-quantity packaging, sold products online, or offered subscription meal services when schools closed; catered event sites shut down, and in-dining restaurants focused on curbside pickup and delivery services. Then, as the economy began to reopen, they expanded their options to cater to those now-operational customers while maintaining newfound channels that consumers found highly convenient and valuable.

It is also important to note that none of these changes happened quickly or easily. Supply chain disruptions still lay a heavy burden on F&B operations. The more often consumer favorites are out of stock, the better the opportunity for competing brands to grab that market share. And the more that prolonged and frequent stock-outs happen, the more likely consumer preferences will change for good.

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.

THE UNDERLYING FACTORS OF TODAY'S SUPPLY CHAIN DISRUPTIONS

A series of missing links, volatile conditions, and evolving market opportunities is fueling disruption across the entire F&B supply chain.

<p>Labor shortages</p>	<p>Empty shelves, long lines, and running out of stock: the impacts of labor shortages are leaving consumers - and industry executives - with a bitter aftertaste. Businesses are scrambling to substitute the loss of millions of workers, especially as skyrocketing demand shows no sign of slowing down anytime soon.</p>	<p>Talent availability (44%) is the foremost challenge for food retailers, followed by talent retention (40%) and retraining and reskilling employees for new technologies (39%)¹</p>
<p>Changing consumer preferences</p>	<p>Consumers consistently shifted their preferences throughout the pandemic, placing more value on convenience, comfort, and health. They also started looking for fresh, additive-free food with traceable origins and a growing interest in local brands.</p>	<p>30%–40% of consumers switch brands or retailers, seeking value, purpose-driven alignment, and quality²</p>
<p>Supply volatility</p>	<p>The traditional model of “just-in-time” sourcing, production, and delivery is not resilient enough to withstand ingredient and packaging shortages, unexpected plant shutdowns, and transportation snarls. Separately, these challenges may not be new. But an environment where all of them are present requires immediate action before they overshadow nearly every aspect of the business.</p>	<p>The cost of corn sweeteners surges by at least 20% with higher freight costs being cited as the reason³</p>
<p>Sustainability demands</p>	<p>Despite COVID-19, consumers are more aware of how their choices impact the desire for a carbon-neutral society and greater access to nutritional sustenance.</p>	<p>9%–16% Higher consumer intent to buy products based on sustainability and healthy, hygienic packaging⁴</p>
<p>Go-to-market versatility</p>	<p>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.</p>	<p>+60% of Europeans have tried a new shopping behavior, and most intend to continue with it beyond the crisis⁵</p>

1 "Deloitte and FMI - The Food Industry Association: New Study Examines the Future of Work in the Food Industry," Deloitte, July 2021
 2 "US Consumer Sentiment and Behaviors During the Coronavirus Crisis," McKinsey, August 2021.
 3 "How Food and Beverage Businesses Can Mitigate the Driver Shortage and Supply Chain Crisis in 2022," Food Logistics, January 2022.
 4 "The State of Grocery Retail 2021 – Europe," McKinsey & Company, March 2021.

PRICING AND PROMOTION LIFT

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 food and beverage shortages is fueling a Darwinian-like shopping mindset.

When combined, these conflicting factors challenge F&B 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 lift 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.

COMPLEMENT YOUR DEMAND PLANNING CAPABILITIES WITH PRICING AND PROMOTION LIFT

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.



PRODUCT TRACEABILITY

Past production processes that consumed massive volumes of raw materials and churned out billions of pounds of waste every year are no longer tolerated by investors, consumers, and government regulators. People are now looking more critically at how food and beverages are produced, processed, and distributed and what impact those processes have on product safety as well as the environment, society, and financial wellbeing.

This demand for comprehensive traceability is expected to intensify in coming years as sustainable supply chains become a top trend. In fact, according to Innova Market Insights, six in 10 consumers are already interested in knowing more about the origin of their food.⁶

With product traceability solutions, you can satisfy requirements for supply chain resilience, compliance, and sustainability by documenting the chain of custody from material origin to importer of record.



Centralize supplier information for all tiers

Create and maintain comprehensive supplier profiles, certifications, and evaluations, including supply chain hierarchies, geolocation maps, and digital threads.



Track material chain of custody

Verify the origin, supplier, and consumption of all materials used in finished products before shipment.



Document every supply chain transaction

Collect, organize, and distribute supporting documents – such as purchase orders, packing lists, and invoices – for every transaction in each tier of the supply network.



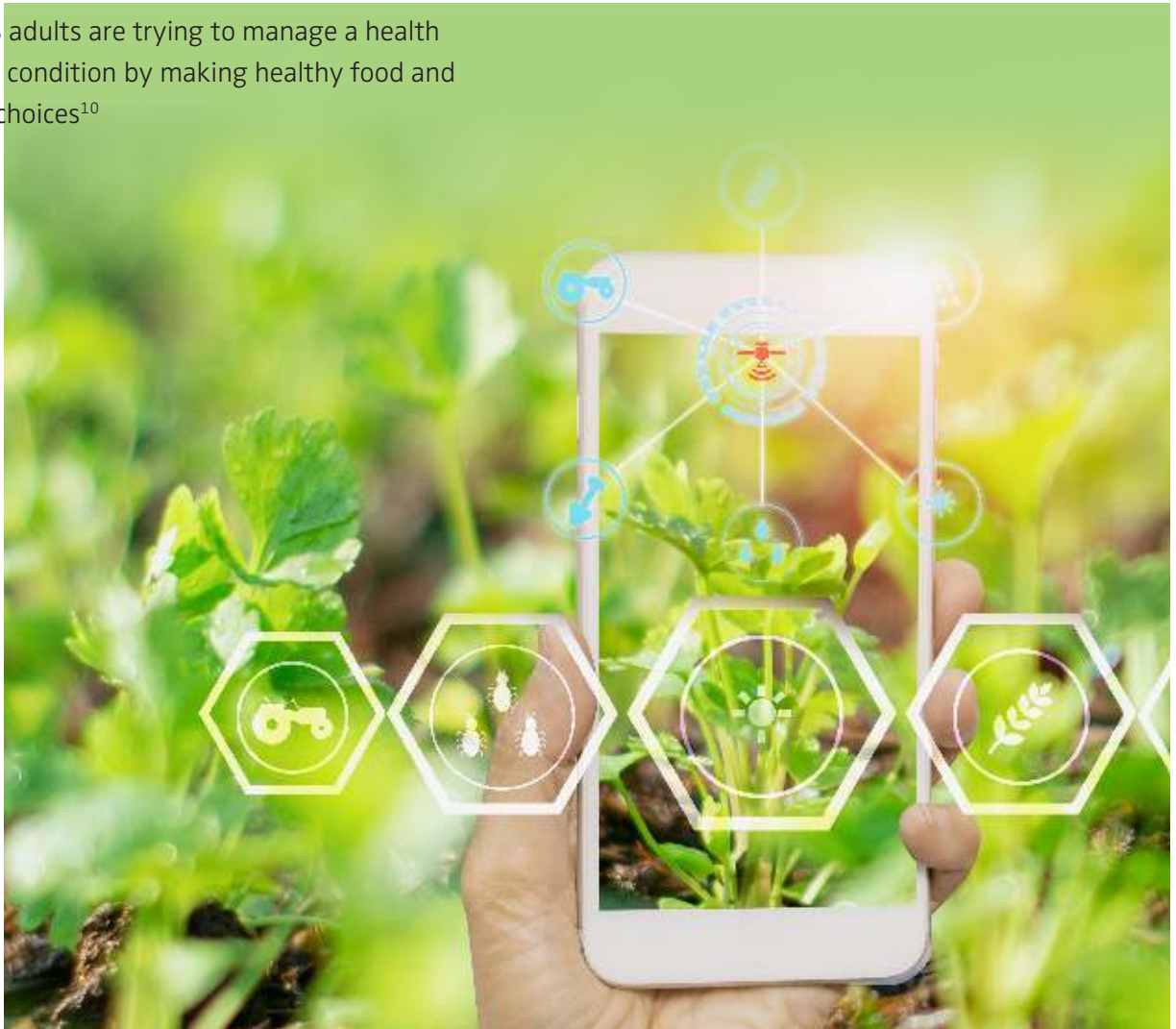
Create a compliance certificate

Use transactional data to generate a compliance certificate and incorporate it with shipment paperwork to prove the finished good was not produced with forced labor.

⁶ "Innova Identifies Top 10 Food and Beverage Trends to Accelerate Innovation in 2021," Innova Market Insights, October 2020.

EMERGING URGENCY IN FOOD TRACEABILITY

- » **\$19B** is expected to be invested in food technology by 2023⁷
- » **\$10-\$30M** in US business costs generated from 75% of recalls⁸
- » **31%** of CEOs from European grocery brands cite higher relevance in organic, traceability, or certification as a top trend⁹
- » **25%** of US adults are trying to manage a health or medical condition by making healthy food and beverage choices¹⁰



⁷ Natalie Burg, "Here's How Innovations In Food Traceability Could Change The Way We Eat," Forbes IEDC AgTech Plus Brand Voice, April 2021.

⁸ "Innova Identifies Top 10 Food and Beverage Trends to Accelerate Innovation in 2021," Innova Market Insights, October 2020.

⁹ "The State of Grocery Retail 2021 – Europe," McKinsey & Company, March 2021.

¹⁰ "U.S. Consumers' Desire to Use Food as Medicine Is Evidenced by Emerging Superfoods," The NPD Group, October 2021.

INVENTORY PLANNING AND OPTIMIZATION

After serious vulnerabilities were exposed in the early days of the COVID-19 pandemic, F&B companies began to rethink their existing value chains. For example, shoppers had limited access to fresh produce, meats, and fish due to shortages and disruptions in logistics and delivery services. Panic-induced purchasing and stockpiling accelerated, along with at-home consumption. Forecasting and planning became a huge challenge for food and beverage manufacturers already dealing with seasonality, weather and external events that regularly impact and disrupt their supply chains.

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.

CHECKLIST

If your organization is considering an inventory optimization initiative, consider these points:

- ✓ **INNOVATION** - Ensure your solution provider harnesses the power of machine learning and artificial intelligence to drive automation and help your company accelerate market response.
- ✓ **USABILITY** - Choose a solution that will empower users across different areas of your business to automate routine analysis and deliver more value to the bottom line.
- ✓ **TACTICAL TARGET SETTING** - When setting tactical inventory targets on an ongoing basis, make sure you can automatically characterize demand and uncertainty, both in lead time and in the demand signal.
- ✓ **FLEXIBILITY** - Some inventory cannot be statistically modeled. Make sure the solution you select can set smart inventory parameters for your most problematic SKUs as well as your fast movers.
- ✓ **SUPPLY CHAIN DATA MANAGEMENT** - Leveraging your enterprise data for strategic and tactical analysis is a major consideration. Select a software provider who can simplify the process, leverage artificial intelligence to boost data quality and offer a powerful integration platform with little or no customization required.
- ✓ **RISK AVERSION** - The right IO/MEIO approach can do more than deliver better service levels. It can also make your C-Level team happy by identifying and mitigating risk and freeing valuable working capital.
- ✓ **STRATEGIC MODELING** - Once tactical processes are in place, turn your efforts to year-over-year improvements. Leverage tactical and strategic planning capabilities to perform comprehensive analytics across your supply chain for ongoing business insight.



Building more accurate and more granular forecasts has allowed the supply chain team to have more credible conversations, drive consensus forecasting, and have a seat at the executive table.”

*Brad Blasi, Demand Planning Manager,
Tillamook County Creamery Association*

A FOUNDATION OF RESILIENCE FOR A POST-PANDEMIC WORLD

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

F&B companies can strengthen the resilience of their supply chains by digitally transforming three key areas:

- » **Pricing and promotion lift**
- » **Product traceability**
- » **Inventory planning and optimization**

Logility is uniquely positioned to help F&B 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



Beyond ERP: How Logility Extends the Value of Supply Chain Planning by Supporting the Entire Enterprise



Do More Than "Go Green": Your Practical Guide to Supply Chain Sustainability



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.

Worldwide Headquarters 800.762.5207 / EMEA +44 (0) 121 629 / APAC +91 98458 79094

© 2022 American Software, Inc. All rights reserved.