



# Profitable Demand Fulfillment: Six Winning Approaches in the Consumer Goods Industry

An E2open eBook



# Overview

Consumer goods companies face many supply chain challenges and opportunities as they expand into new markets while relying on outsourced business partners such as contract manufacturers (CMs) and third-party logistics providers (3PLs).

E2open's vision for the future of consumer product value chains is based on over a decade of experience working with many of the most successful supply chains in the world, including apparel, food and beverage, beauty and cosmetics companies. In this eBook, we share this vision and many of the best practice approaches that are fundamentally changing the way consumer goods supply chains compete.

## Introduction

We help consumer goods companies lower supply chain costs by increasing process efficiencies and unlocking working capital tied up as inventory as demonstrated by customer results such as:

- 100 percent increase in inventory turns
- 80 percent increase in supplier response rates
- 50 percent decrease in replenishment cycles
- ROI in months, not years

Profitable demand fulfillment is measured by more than just "on-time" delivery and must include performance elements that drive underlying cost-to-serve processes for each customer within each market.

## Improvement Measures



### Cost Reduction

Improved efficiencies through collaborative inventory and order management



### Customer Satisfaction

Improved fill rates, responsiveness, and on-time delivery performance



### Visibility

Better access to real-time data to compress process cycle times across the supply chain



### Inventory Reduction

Managing inventory across stocking locations while maintaining committed service levels



### Lead Time Reduction

Reducing the time suppliers need to understand and commit to demand changes



### Increased Supply Chain Velocity

Improving supply responsiveness to increase inventory rotations



### Improved Metrics Alignment

A convergence of planning and execution capabilities to improve cross-tier fulfillment performance

# How Do You Manage Demand You Can't Predict and Supply You Don't Control?

As consumer goods companies reach across the globe seeking new customers in new markets, they unintentionally introduce unprecedented levels of complexity into the production and distribution of their products. Consumer goods brand owners now develop a dizzying array of local product variations through a complex network of outsourced manufacturing partners while customers continue to drive for smaller lot sizes and more frequent deliveries by a multitude of 3PLs.

This globalization of consumer product supply chains has bloated inventory levels, reduced margins, and strained the working capital needed for new product development. Against this backdrop, companies are looking for solutions that can both optimize supply and demand throughout their distribution networks and become a “bridge” between internal supply and demand organizations. Problems they are seeking solutions to include:

## **X** Lack of end-to-end visibility and collaboration in a multi-tier environment

Actionable, real-time supply chain information is missing in today's highly volatile, complex, and outsourced consumer goods marketplace. Multi-tier visibility now makes collaborating on forecasts and orders possible. Having data on actual shipments and receipts as they happen provides insight into stock-in-channel inventory and point of sale (POS) information, which gives brand owners the ability to proactively manage volatile demand.

## **X** Lack of planning coordination between supply chain tiers

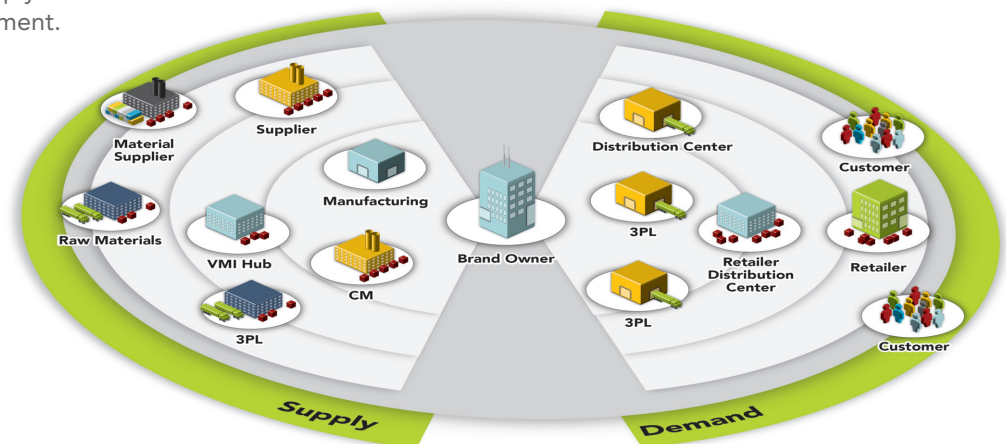
Committing with confidence to customer orders requires demand planning and collaboration across multiple tiers to ensure that the right materials are delivered to the right locations at the right times. Nevertheless, many companies are still unable to synchronize supply and demand because they do not have access to timely, accurate data from all supply chain parties. Too often, they settle for snapshot data dumps into online portals that lack real-time intelligence and the ability for “closed-loop execution.”

## **X** Conflicting KPIs that actually discourage efficient supply chain management

Sophisticated business intelligence is gained by integrating data across the entire value chain to provide unique insights about demand patterns, operations, and customer service requirements. But to make the most of this powerful insight, the key players in the supply chain must be aligned in terms of what they're measuring and what tools they're using to interpret the information. A shared planning and execution process layer combined with the right business analytics gets everyone on the same page and is the key to effective supply chain orchestration and risk management.

## **X** Inability to link product design, manufacturing, and fulfillment within the supply chain

Successful consumer goods companies increasingly compete on new product innovation and market segmentation. Close coordination with contract manufacturing partners around formulations, product specifications, and POS packaging can make or break new product launches.



# Opportunities for Collaborative Planning and Execution Across Consumer Goods Business Networks

Brand owners and their CM partners have implemented many of the following solutions to become more agile and responsive within their distributed and outsourced manufacturing environments. E2open's unique convergence of planning, process, and network has provided consumer goods leaders, such as Avon, L'Oréal, and Coca-Cola México, a new way to compete and win greater market share. The convergence of these capabilities creates core competencies using collaborative planning and execution as a way to leverage the collective brainpower of their partners, including CMs, by continuously responding to changes in supply, demand, and new product launches. Collaborative planning and execution depends on a global trading network of cloud-connected partners. Once relevant parties are connected, multi-enterprise business processes enable timely, seamless transactions and network-wide planning and response.

Following are the key multi-enterprise business processes that are at the core of these transactions for consumer goods companies.



## Collaborative Order Planning and Promising

The capability to commit to orders, allocate short supply, automate approvals, and power new replenishment processes across multiple tiers of the supply chain.



## Supply Chain Control Tower

The combined power of process, technology, and people to enable a "control tower" to extend visibility and sense exceptions anywhere in the supply chain. When disruptions happen, having the ability to respond collaboratively with your trading partners in real time sets the stage for executing profitable demand fulfillment.



## S&OP Effectiveness

Embracing an integrated, holistic approach unites the S&OP plan with execution, enabling a faster response time within your extended network that allows your tier 1 and 2 suppliers to more effectively execute against your plan.



## New Product Introduction/Packaging

Real-time visibility, planning, and compliance management across the extended supply chain are unlocking the ability to synchronize the ramp-up of new products while winding down old ones that can cause excess inventory liability write-offs.



## Strategic Centralized Procurement

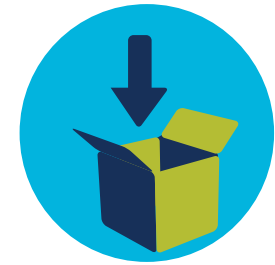
Enables brand owners to coordinate buy-sell strategies across internal and outsourced manufacturing sites; also effective in consolidating spend, minimizing rogue purchases, and reducing hedging and sub-optimal allocation of critical inventory.



## Vendor Managed Inventory (VMI)

Expansion and globalization of supply chain operations provide the opportunity to utilize network-wide VMI programs to improve the continuity of supply while simultaneously reducing working capital.

# Collaborative Order Planning and Promising



## Description

Collaborative order planning and promising fulfills on the promise of collaborative planning, forecasting, and replenishment (CPFR) by allowing users to commit with confidence by providing rules-based order logic to quickly respond to customer and market demands. These capabilities operate on a powerful web-based platform that continuously prioritizes inventory and supply allocations based on fulfillment rules. When planning and execution come together, no time is lost committing to important orders. Greater visibility throughout the extended network to orders, forecasts, and customer commitments leads to more agile and responsive customer service levels.

## Benefits

- Commit with confidence during the order promising process
- Ensure partner capacity is available
- Prioritize customer orders by business objective and manage inventory to achieve strategic goals: revenue, margin, etc.
- Rapid time to value and significant ROI

## What It Takes

- End-to-end demand and supply planning processes integrated into a network
- Support for IT efforts on data aggregation and normalization across outsourced partners to improve data quality, timeliness, and effectiveness

## Lessons Learned

- Ensuring complete trading partner adoption is a prerequisite for success
- Leveraging a common platform to enable operational consistency and transparency is key for preventing misallocation of resources
- Not all customer orders are equal; priority management is required to maximize profit

## Impact Assessment

	Low	Medium	High
Customer Service	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Inventory	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Cost	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Lead Time	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

## Complexity Assessment

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## Improvement Measures





# Supply Chain Control Tower

## Description

A supply chain control tower is much more than logistics visibility. It is the ability to turn raw data feeds into real-time information in a centralized location that monitors the flow of orders, inventory, and consumption across the network. Much like a command center used by regional utility companies, telecommunication carriers, or even NASA, the information can be piped into a physical room or to a virtual global team to monitor system status and business rule exceptions, such as demand spikes, shortages, and material expedites, in real time. The control tower continuously projects future inventory levels based on the latest customer demands, supported by in-transit supply, hub inventory, and hourly customer consumption. The same communication channels and tools that provide visibility into exceptions also serve as the execution platform for working with your trading partners to solve problems, often proactively inside of the customer commitment delivery window.

## Benefits

- Fulfillment exception alerts to pinpoint projected shortages and orchestrate recovery actions
- Inventory level reductions with increased visibility into suppliers, 3PLs, and customers
- Visibility into second- and third-tier suppliers
- Real-time visibility across the supply chain to improve order responsiveness and prioritization

## What It Takes

- Multi-tier planning model capable of balancing capacity and supply together
- Ability to peg demand to sub-tier supply and protect customer order allocations
- Visibility into contract manufacturing inventory, shipments, master data, and compliance information

## Lessons Learned

- Defining and executing reciprocal partnerships with suppliers is key to long-term success
- Empowering teams to make decisions across the value chain is critical
- Data quality and integrity must be continually monitored and improved to ensure that decisions are based on the most accurate information available

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## Improvement Measures



Cost Reduction    Visibility    Inventory    Alignment

# S&OP Effectiveness



## Description

The S&OP process is meant to align key groups within your enterprise—sales, marketing, finance, and operations. But when you are highly dependent upon your trading partners to make, package, and deliver your products, true S&OP effectiveness requires the ability to extend that core process beyond the four walls of your enterprise. By integrating the plan with its execution and bringing your trading partners into a closed planning and execution loop, you can make better plans (because you have a clearer picture of what your partners can actually do for you) and improve their execution, especially when things don't go perfectly according to plan and course corrections are required, and get the information you need now versus at your next S&OP meeting.

## Benefits

- Faster reaction to deviations from the plan
- Better partner information for better planning
- True closed-loop planning (e.g., availability, commits) and execution
- Lower costs
- Improved customer service levels

## What It Takes

- Integration of key internal stakeholders on a common platform for collaborative planning and execution
- Integration of the trading partner network with the internal S&OP process to create a closed-loop planning and execution process
- Ability to detect deviations from the plan (on either the supply or demand side) and respond with appropriate course corrections

## Lessons Learned

- Your partners are critical to successful planning and execution
- Don't depend solely on your forecast. The agility to respond to real-world changes is essential to successful execution
- Extending your S&OP process beyond the four walls of your enterprise improves the quality of your planning and the speed of your execution

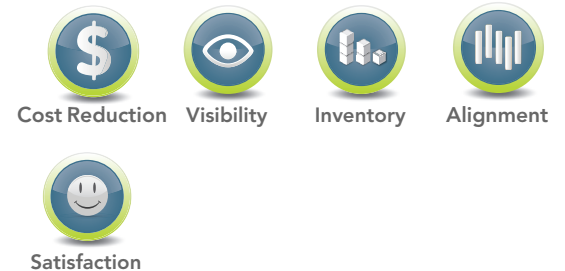
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## Improvement Measures





# New Product Introduction/Packaging

## Description

Growing consumer goods companies increase revenue through new product introductions, but the profitable ones increase market share by segmenting their product offering by region or customer preferences. Consumer products are often available in a dizzying array of formulations, styles, sizes, and packaging variations—packaging and labeling for specific regions or retailers, for particular promotions, or for value-added whole solutions. How can a brand owner ensure that new products launch on time and in alignment with trade promotions? Late product launches soon turn into inventory shortages at the pack/repack level and lead to disrupted deliveries to end customers.

A business network such as E2open's provides the technical and business process infrastructure needed to gain visibility into the extended supply chain, so that contract and packaging partners do not introduce unexpected—and unwanted—surprises into the marketplace.

## Benefits

- End-to-end visibility and control, from contract manufacturers to packaging suppliers to retail distributors
- Exception alerts and collaborative planning and execution channels, to identify and address issues before they become problems
- Improved customer service levels

## What It Takes

- Ability to collaborate with manufacturing over formulations, features, and quality
- Manufacturing master data, recipe specifications, and packaging management
- Compliance validation and alerting to quickly identify and respond to manufacturing exceptions

## Lessons Learned

- "One version of the truth" rests on accurate master data alignment between partners
- Collaboration is more than communication; it is bi-directional problem-solving
- Rapid onboarding leads to trading partner adoption, which is a prerequisite for success

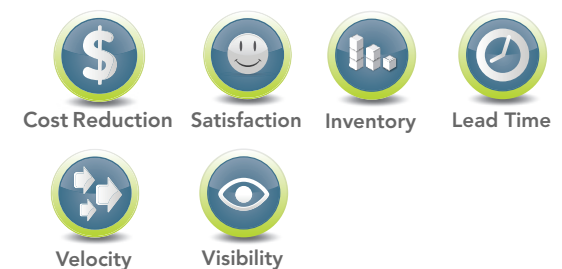
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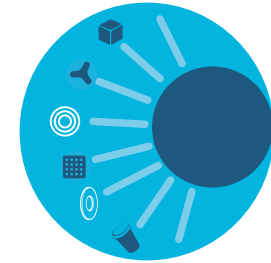
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## Improvement Measures





# Strategic Centralized Procurement



## Description

Strategic centralized procurement is accomplished by conducting direct procurement purchasing from one location for the whole corporation. Not only are economies of scale achieved, but many companies locate their procurement centers in low-cost countries with lower tax rates in order to reduce the cost of goods sold (COGS) and create tax efficiencies. Spend is also more easily leveraged in one location across the whole organization. Another benefit is the ability to perform back-to-back “buy-sell” processes, in which brand owners buy expensive “A-class” components on behalf of their CMs and then sell them back using a price-masked process. This protects the brand owner’s buying power and intellectual property.

## Benefits

- End-to-end visibility, control, and real-time collaboration in the outsourced manufacturing value chain
- Reduced procurement costs through spend aggregation across manufacturing partners and internal divisions
- Ability to establish buy-sell processes for strategic commodities, resulting in better supply price, more intelligent allocation in case of supply constraints, and improved supply assurance

## What It Takes

- Management’s commitment to implement key strategic initiatives for centralized procurement and buy-sell processes
- Participation by key stakeholders in detailed reviews of best practice templates
- A flexible and robust B2B program, enabling efficient onboarding of tier 1 and tier 2 suppliers

## Lessons Learned

- A comprehensive change management program with tier 1 and tier 2 suppliers is required for successful implementation and rapid ROI
- Entering into “strategic partnerships” with key tier 1 and tier 2 suppliers is critical for wide adoption of the multi-tier solution
- Following initial success, the process should be flexible and scalable enough to quickly accommodate new manufacturing sites and/or suppliers

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## Improvement Measures



# Vendor Managed Inventory (VMI)



## Description

VMI aims to increase raw material velocity and reduce a company's inventory holding costs (working capital requirements) by moving inventory through the supply chain as quickly as possible while keeping title on the suppliers' books until needed.

The advantage for suppliers is access to more direct and timely demand signals, enabling them to lower their own inventory costs and increase customer satisfaction levels. VMI (also known as supplier managed inventory, or SMI) is fundamentally a process and supporting technology platform to connect trading partners in order to carry out inventory management processes. VMI differs from vendor managed replenishment (VMR) in the ownership of inventory: the vendor (supplier) owns the inventory under VMI/SMI, while the customer owns the inventory under VMR. In each of these cases (e.g., VMI, SMI, VMR), vendors/suppliers are responsible for replenishing inventory to agreed upon minimum-maximum values. Although inventory allocations are made on the basis of forecasts, it is actual customer demand that triggers replenishment.

## Benefits

- Lower inventory carrying costs/working capital requirements
- Better continuity of supply
- Reduced excess and obsolete inventory levels

## What It Takes

- Visibility and connectivity between brand owners and their trading partners
- Collaborative demand, inventory, and replenishment planning technology and processes
- Performance measurement and analytics capabilities

## Lessons Learned

- Objectives should be clearly defined and communicated to facilitate streamlined execution
- The waterfall chart is important to show a clear record of transactions and inventory positions, and identify customers' liability
- Benefits extend well beyond the brand owner, offering better demand signals and higher service levels

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## Improvement Measures



Visibility



Velocity



Cost Reduction



Satisfaction



Inventory



# Accelerate Your Supply Chain Transformation

The purpose of this consumer goods eBook is to highlight opportunities that can unlock lasting competitive advantage, which are often overlooked when making the move from a linear, enterprise-centric supply chain to a business network-driven value chain. In this eBook, we have identified common success factors, including:

1. Understanding the limitations of existing enterprise-centric tools ("system of record" versus "system of process")
2. The complementary value added from having accurate, real-time data on planning operations
3. Realizing that value chains can work together to achieve individual and shared goals by leveraging a common, cloud-based execution platform

Lasting competitive advantage comes from superior operational excellence and process execution. Approaches like strategic centralized procurement represent processes that span multiple companies—limiting liability or providing visibility into inventory or the cascading purchasing commitments can lift supply chain performance enough to change market leaders. These approaches also highlight the fundamental truth that when a process is transparent, it is reliable.

To that end, top-performing companies are now leading the way in the adoption of cloud-based computing solutions aimed at simplifying their IT footprint and accelerating their return on investment. Brand owners that have come to rely heavily on partners are transforming their value chains into true business networks. From n-tier suppliers, all the way to n-tier customers, all participants are connected on the same cloud-based platform. The business network leverages industry best practices and provides true multi-tier visibility and collaborative planning and execution to lower the operating costs of all network participants and drive tangible value to the end customer.



# The E2open Difference

If you are serious about transforming your supply chain into a competitive business network, E2open can engage with you to help you gain control over your extended supply chain.

At E2open, we believe we can become one of your strategic partners during this exciting transformation. As the supply chain solution provider to world-class companies, including Avon, L'Oréal, and Coca-Cola México, as well as major U.S. specialty retailers, E2open understands the challenges and emerging operational trends facing the consumer goods industry. And with more than 14 years of cross-industry experience with some of the most profitable companies in the world, E2open is able to provide both supply chain best practices and lessons learned to help you reach your supply chain goals faster, with fewer resources.

E2open's technology links retailers, distributors, contract manufacturers, and component suppliers across a common, information-based business network. We understand the global supply chain from the ground up. E2open's proven implementation method, supported by industry-experienced consultants, ensures that all projects are up and running quickly and deliver a rapid return on investment. Additionally, our pre-existing community of trading partners is the largest in the industry.

To learn more about how E2open can add value to your global supply chain operations, contact us at [consumergoods@e2open.com](mailto:consumergoods@e2open.com).

## Contact E2open Today

### E2open USA – Headquarters

Tel: 1.650.645.6500 or  
1.866.4.E2OPEN  
[e2open\\_us@e2open.com](mailto:e2open_us@e2open.com)

### E2open China

Tel: 86 (21) 5175 7788  
[e2open\\_gc@e2open.com](mailto:e2open_gc@e2open.com)

### E2open United Kingdom

Tel: 44 118 902 6985  
[e2open\\_eu@e2open.com](mailto:e2open_eu@e2open.com)

### E2open France

Tel: 33 1 56 60 52 14  
[e2open\\_eu@e2open.com](mailto:e2open_eu@e2open.com)

### E2open Germany

Tel: 49 721 79008 0  
[e2open\\_eu@e2open.com](mailto:e2open_eu@e2open.com)

### E2open Malaysia

Tel: 60 3 2781 6300  
[e2open\\_sea@e2open.com](mailto:e2open_sea@e2open.com)

### E2open Finland

Tel: 358 (40) 591 5594  
[e2open\\_eu@e2open.com](mailto:e2open_eu@e2open.com)

### E2open Taiwan

Tel: 886 2 8758 2950  
[e2open\\_gc@e2open.com](mailto:e2open_gc@e2open.com)

