A Refreshing Way To Improve On-Shelf Availability

February 16th, 2015
Fred Baumann, Global Vice President, JDA Software
Session & Research Plug

On-Shelf Availability: Insights to Action
Tuesday: 11:00 – 11:45

“Solving the Out-Of-Stock Problem: A GMA/FMI Trading Partner Alliance Report”
Identified Barriers and Opportunity

78% of Manufacturers do not Use Retailer’s Forecast In Production or Deployment

“70% go to another store ... Potential 10% Revenue Lost”

On average, there is 100+ days

An average, there is a 39% error in forecasting in the CPG industry
Disconnected Models & Systems Create Uncertainty, Accountability Issues and Unnecessary Costs

Supplier-Centric Planning
- Manufacturing Plant
- Manufacturing DC

Retailer-Centric Planning
- Retail DC
- Retail Store

Independent and Misaligned Goals

- Plant efficiency
- Packaging waste
- WIP inventory
- Forecast accuracy
- Order fill rate
- Inventory reduction
- Customer service
- Inventory reduction
- Order fill rate
- Transportation costs
- Back-room inventory
- On-Shelf Availability
- Waste reduction
- Labor efficiency
- Increased sales
On Forecasting....

“It is impossible to predict the future but also dangerous not to try”

Henri Deterding,
Founder of Royal Dutch Shell
Disconnected Supply Chains are Volatile

Volatility is the Weekly Standard Deviation divided by the Mean

Source: Kevin Smith
DePaul University, Formerly Director Business Process Transformation Kraft Foods
OSA Committee Guidance: “Connect the Supply Chain to the Store”

- WIN-WIN for all participants
- Progressive benefits throughout Good Better Best
Flowcasting: Process Fundamentals

- Integrated Business Model of the retail supply chain
- Jointly manage this Business Model to “A Single Set of Numbers”
- Time phased plan typically 52 Weeks into the future
- Plan is resynchronized daily to account for what is selling at point of sale
- Complete visibility throughout entire Retail Supply Chain

“Since OSA is a total supply chain issue, not simply a manufacturing or retail issue, all parties must be involved in the solution”
Market Maturity Perspective

Visibility

- Transactional
  - POS sales
  - DC shipments
  - Store inventories
  - DC inventories

- Operational
  - DC withdrawal-based forecasting
  - Co-managed ordering
  - Account-level promotional planning

- Collaborative
  - Shelf-driven plans translated up the supply chain
  - Order plans are:
    - Fully layered
    - Inclusive of promo
    - Shelf aware

Multi-Enterprise Planning

- Strategic
  - End-to-end supply chain optimization with gain sharing
  - Multi-enterprise strategy proposals and reviews
  - Proactive root-cause analysis to grow sales and reduce OOS 52 week+ horizon
Flowcasting Connects The Consumer to the Factory

One Supply Chain Model
Immediate visibility to changes, calculated options, proactive recommendations & systematic responses

Single Model of the Business Across the Entire Supply Chain –
A Consumer Connected Point of View

Mfg Plant  Mfg DC  Retail DC  Retail Shopper

Multi-Enterprise Planning

Joint Executable Plan between Manufacturer and Retailer working off of a common point of view of what's being sold at store

Proactive restructuring of supply chain enabled by easy to develop and compare scenarios

Root cause analysis identifies the issues, assigns root-causes that go across forecasting, replenishment and stores

Supply Chain Analytics that proactively mitigate future overstocks and out-of-stocks
Manufacturers and Retailers collaboratively create ONE plan to improve the entire supply chain from close-range ordering to long-term strategy decisions.

Short-term Execution

Operational Execution
- Inventory Decisions: *Make, move, store, merchandise, sell*
- Gap Analysis

Mid-Term Planning
- Stores
- DCs
- Capacities
- Annual Budget

Strategic Decisions
- Products
- Markets
- Shoppers
- Business Expansion

ONE Multi-enterprise plan creates new opportunities for Store Planning, Manufacturing, Distribution, Transportation and S&OP.
Out-Of-Stock Mitigation

“Utilize forecasted movement (POS) and DC-to-store delivery schedules to proactively determine potential out-of-stocks (OOS) before they happen.”

- GMA On-Shelf Availability Committee

**Flowcasting Root Cause Identifies...**

- Under/Over Forecasting
- Event Bias; Event Communication
- Ghost Inventory Issues
- Supply Constraints / Order Delay

Connects analytics to SC levers!
On Promotions...

“First, eliminate the concept of an event “lockdown” date. Since 92 percent of retailers admit they make some degree of changes after this date anyway, its usefulness is questionable. Second, to replace this concept, retailers and manufacturers should begin collaborating on forecasts early in the event planning process and continue to adjust plans as warranted throughout the planning and execution of the event.”

- GMA On-Shelf Availability Committee
Flowcasting provides a rolling time-phased plan across the supply chain that can be reviewed and updated daily with exception management.

Flowcasting Promotion Components:

- Lift calculated from shelf back
- Continuous Alignment
- Simulate/Agree on Scenarios
- Filter promo volume and lost sales for future forecasting
BEFORE Flowcasting

Independent Business Plans
Silo’d Operational Plans
Reactive Supply Chain Management
Poor Issue Resolution

Uninformed Decisions | Reduced Profitability

Better Decision Making | Increased Profitability
Good-Better-Best

- GMA On-Shelf Availability Committee
Flowcasting improves joint business planning with strategic partners.

**Gap Analysis**

- **Retailer/Supplier Annual Business Plan**
- **Flowcasting’s Operating Plan**
  - Updated daily based on consumer sales & reviewed monthly
  - Proactively Mitigate Gaps

**Questions to Answer:**
- Why the gap – which products, which stores...?
- What actions do we jointly need to take to close the gaps...?

**Best Practice:**
- GS1 Roadmap to IBP’s: The 8 Step Collaborative Process

Source: Gartner Executive Conference; Supply Chain of the Future, Connecting Stores to the Manufacturer
Flowcasting Benefits Customers 1 & 2 & Top 10 CPG Manufacturer

• Retailer 1
  – Significant reduction in inventory & transportation costs as well as improved OSA & associated gross margin

• Retailer 2
  – Significant reduction in inventory & transportation costs as well as improved OSA & associated gross margin

• Manufacturer
  – Significant reduction in inventory, transportation costs and unsaleable
    – 86% reduction OOS (Frozen)
    – 72% reduction OOS (Refer)
    – 81% company wide improvement in OOS performance
JDA Flowcasting Solution Capabilities
Improving Supply Chain Visibility through advanced capabilities

- Collaboration Workbench
- Root Cause Analytics
- Simulation Modeling
- New Product Intelligence
1. I need executive buy-in
2. The data is too large
3. They won’t share!
4. I need critical mass
5. I don’t trust them!
6. Organization change.
7. My “fair share” of value!
8. Technology is a barrier
9. The data is too dirty
10. Someone else go first!
**Journey Map**

**Phase 0**
Learn
Evaluate & Select

**Phase 1**
Scope Pilot Category

**Phase 2**
Learning/Validation

**Phase 3**
Extend to Production

**Phase 4**
Sustain & Enhance

**Time to value as quickly as 12 weeks**
JDA: The Clear Market Leader

81 of the top 100 retailers use JDA

79 of the top 100 consumer goods manufacturers use JDA

20 of the Gartner Top 25 supply chain companies use JDA

Every 8 hours another JDA customer goes live

400 Patents granted and pending

#1! JDA named “leader” in all three Gartner MQs on supply chain

---

1 Top 100 Retailers, STORES, 2013
2 Top 100: The Consumer Goods Registry, 2013
3 According to JDA’s independent analysis of Gartner’s 2014 list
4 Gartner Magic Quadrant for Transportation Management Systems, Magic Quadrant for Warehouse Management Systems and Magic Quadrant for Supply Chain Planning Systems of Record
A Refreshing Way To Improve On-Shelf Availability

February 16th, 2015
Fred Baumann, Global Vice President, JDA Software

Fred.baumann@jda.com