

# Consumer Product Supply Chain for the future

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Sr. Director Strategic Services





The Big Rocks

Leading Industry Practices

Recommended Digital Transformation Strategy

Why JDA?

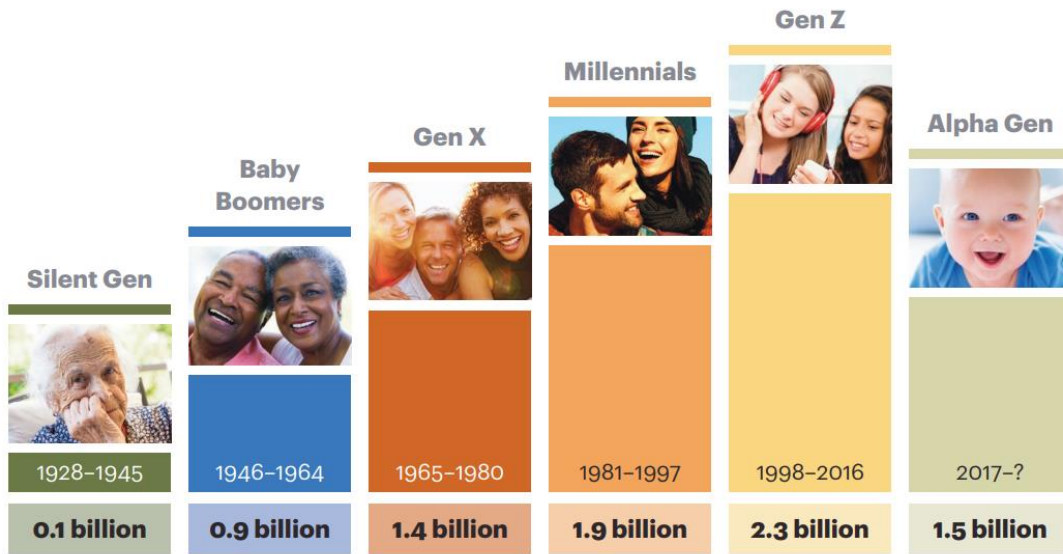


# The Big Rocks

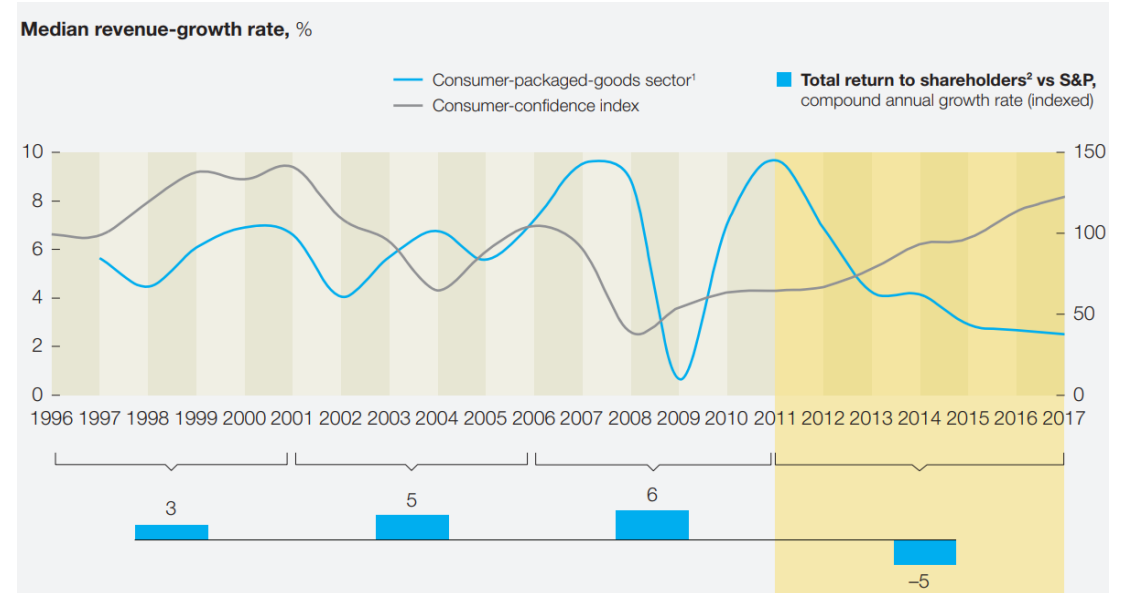
## Industry & Market Pressures

# Industry and Market Pressures

By 2027, there will be six generations of consumers in the market



Source: A.T. Kearney analysis



<https://www.mckinsey.com> -Agility@Scale: Solving the growth challenge in consumer packaged goods

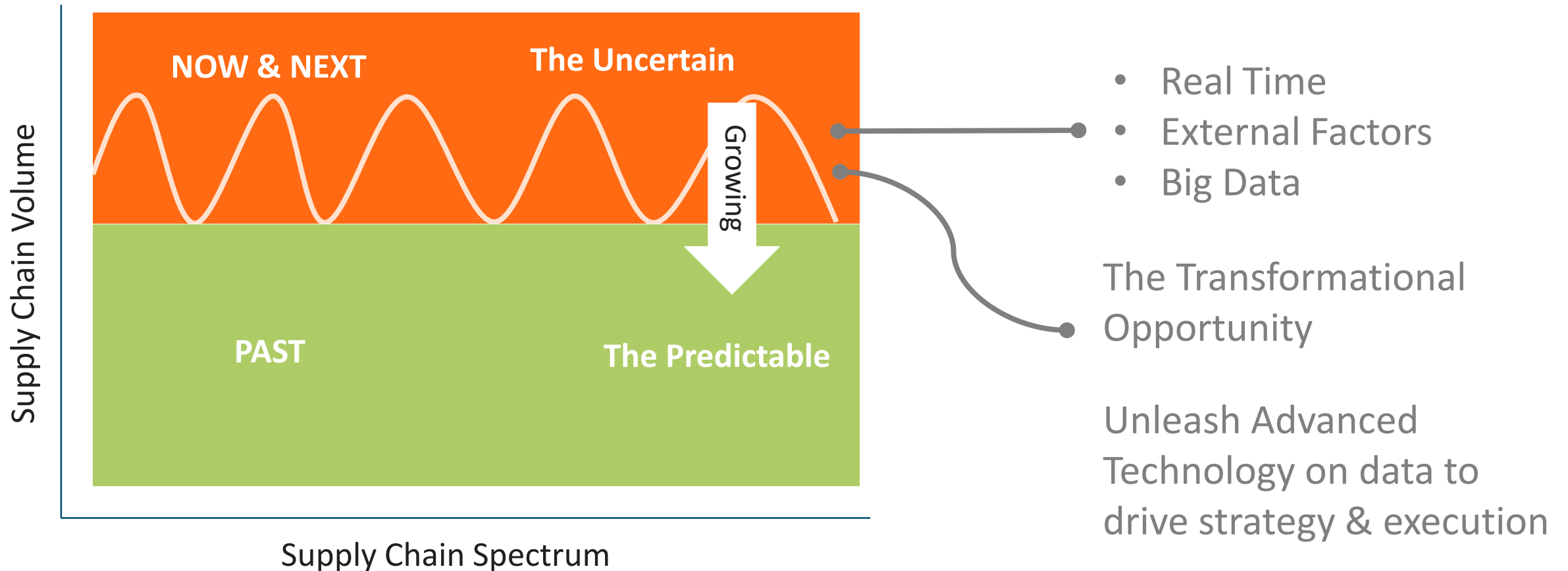
1. 2011 onwards – Low to negative revenue growth
2. M&A, Cost-cutting measures
3. Negative shareholder return

## Industry Morphing:

- From Traditional Consumer-Goods & Retail Distribution Model
- Disintermediated by Marketplaces & Direct-to-consumer
- Relevancy will depend on constant understanding of evolving consumer segments, demand influencers and managing uncertainty via visibility & response velocity

# The Uncertainty!

## Volatility, Uncertainty, Complexity and Ambiguity (VUCA) is growing



# The Resulting \$100M+ Problem



## Revenue model shifts

2% market growth  
forecast between  
but 15% growth in  
e-commerce



## Logistics Cost

11% logistics spend  
growth in addition to  
tight transportation,  
warehouse and labor  
capacities



## Inventory

Almost 5% growth in  
absolute inventory levels  
driven by increased  
uncertainty at  
all levels

\*GDP Projections from CBO-  
2018 @2.9%, 2019 @3.1%

# CSCMP 2019 State of Logistics report  
^ US Census Bureau May 2019 report



# Leading Consumer Industries Practices

# Leading Consumer Industries Practices

Personalized Assortment at Scale

Probabilistic Demand Forecasting with Multiple Demand Factors

Integrated Business Planning

Real Time Visibility and Orchestration Control Tower

Optimized Workforce Planning and Scheduling



# 1. Personalized Assortment at Scale

## How well do you know your shoppers?

jda.



Understand customer path-to-purchase & preferences to predict shopper behavior

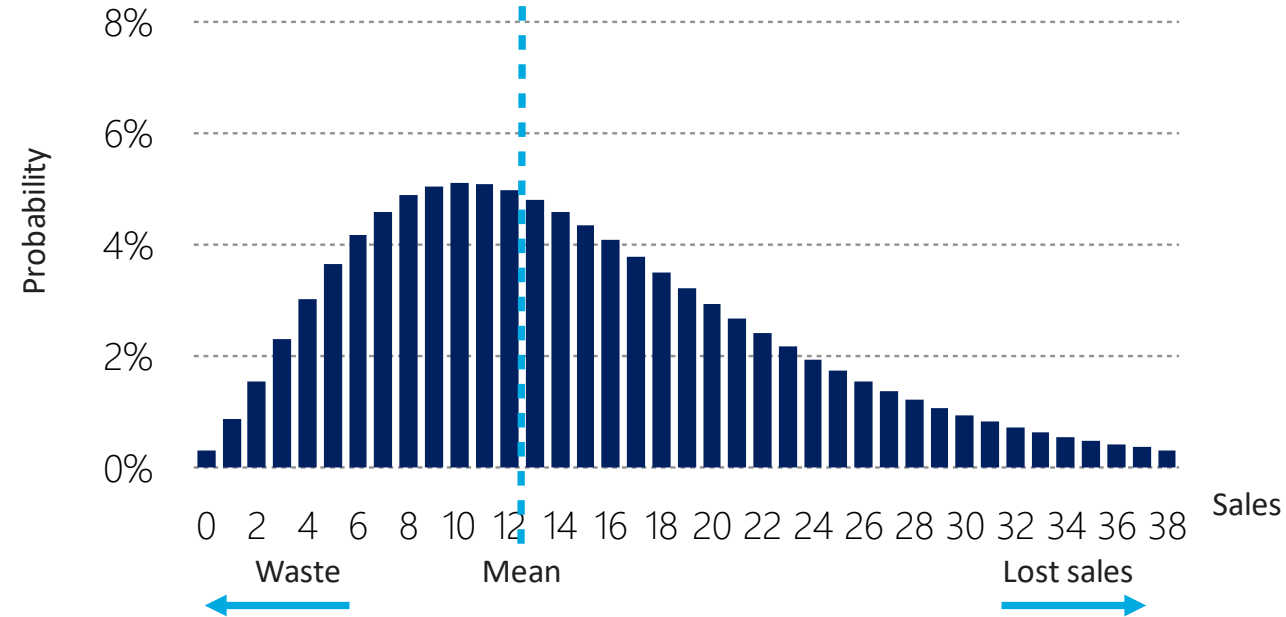
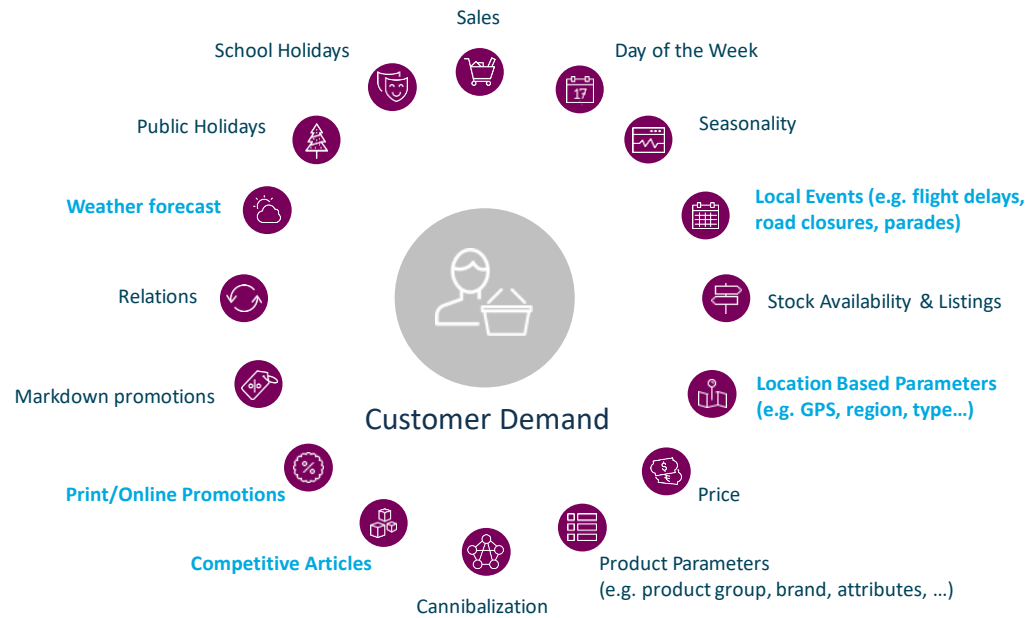
Segment customers to understand common shopper habits

Link transactions of customers with loyalty or credit card data

Analyze market demographics / market purchase data

Analyze point-of-sale data

# 2. Probabilistic Demand Forecasting with Multiple Demand Factors



The probability of all possible scenarios supports the assessment of risks as waste or lost sales.

Knowing these risks is the prerequisite for the cost efficient order.

# Customer Highlight: AI Enabled Business Strategy



DC Replenishment

De-List Markdown Pricing



*Integrated, End-to-End Supply Chain*

Store Replenishment

Short Code Markdown Pricing

## Store Replenishment



Need for fast, dynamic, automated approach



Need to increase service level availability



Different business goals for product groups and locations

**99%** Automation Rate

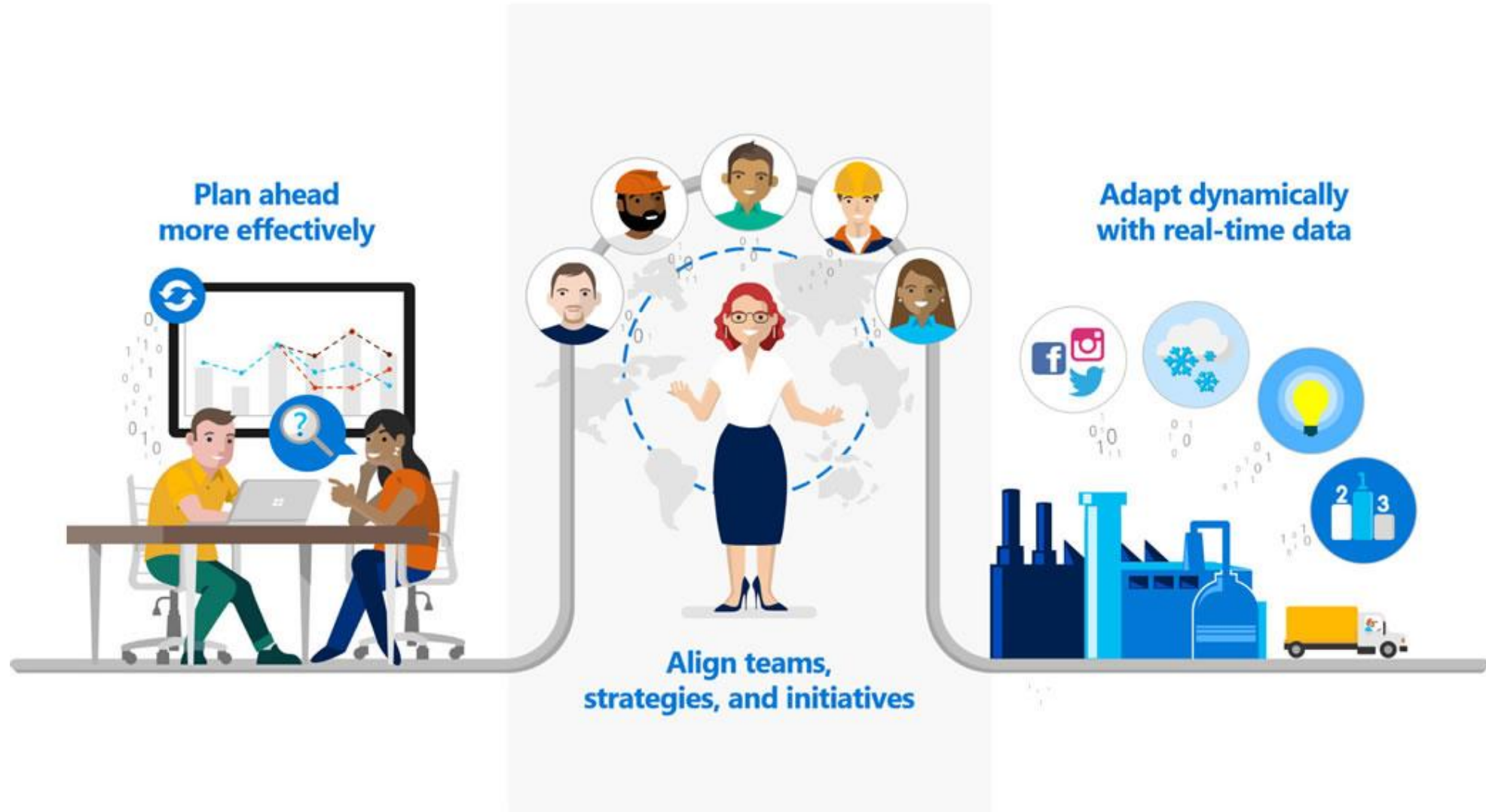
**30%** Reduction of Shelf Gaps

**2-3** Days Reduction of Inventory

“...our **customer satisfaction** had improved year-on-year by **5%**. This independent survey score scores Morrison’s **especially high on service availability** and the quality of our fresh food. Our new automated stock ordering system is also **improving availability and freeing up time** for our colleagues to serve customers better. We’re continuing to refine and improve the ordering system which will now be in all stores and most categories in time for Christmas.”

**-David Potts, CEO**

# 3. Integrated Business Planning Sales & Operations Planning and Execution





# Customer Highlight: Integrated Business Planning

THE HEINEKEN COMPANY

S&OP to IBP

FINANCIAL INTEGRATION

SCENARIO MANAGEMENT

KEY LEARNINGS

TO EXECUTE OUR STRATEGY WE NEED TO BE BETTER IN PLANNING + S&OP

**Management of Revenue and Cost** in a digitized Market place require **faster and better** business decisions enabled by **Integrated Business Planning** and **new Technology**



- Supply/Product segmentation
- Data driven Optimisation
- Supply scenarios, Delta cost
- Optimised Capacity
- Supplier collaborative planning

GRIP on SUPPLY



GRIP on DEMAND

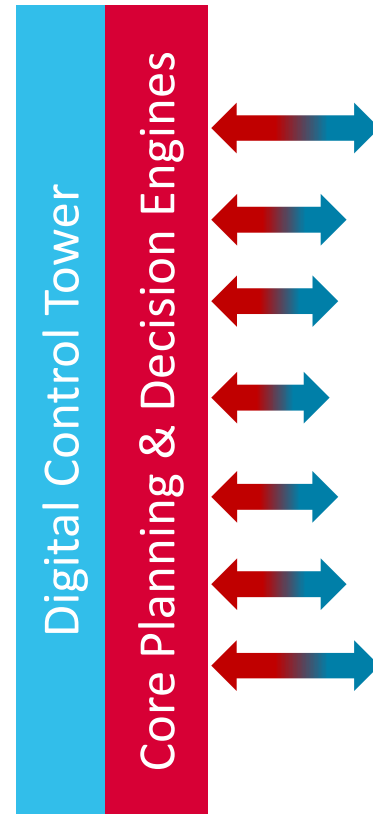
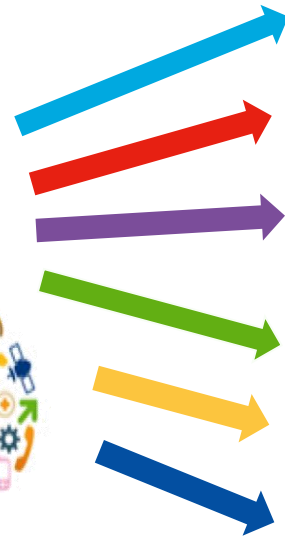
- Sense Demand signals
- Use Insights & Analytics
- Statistics & Enrichment
- Volume / Price / Mix
- Flow-casting / VMI
- Route to Markets

# 4. Real Time Visibility & Orchestration Control Tower

## Control Tower powers Sense & Response



**Sense externalities**



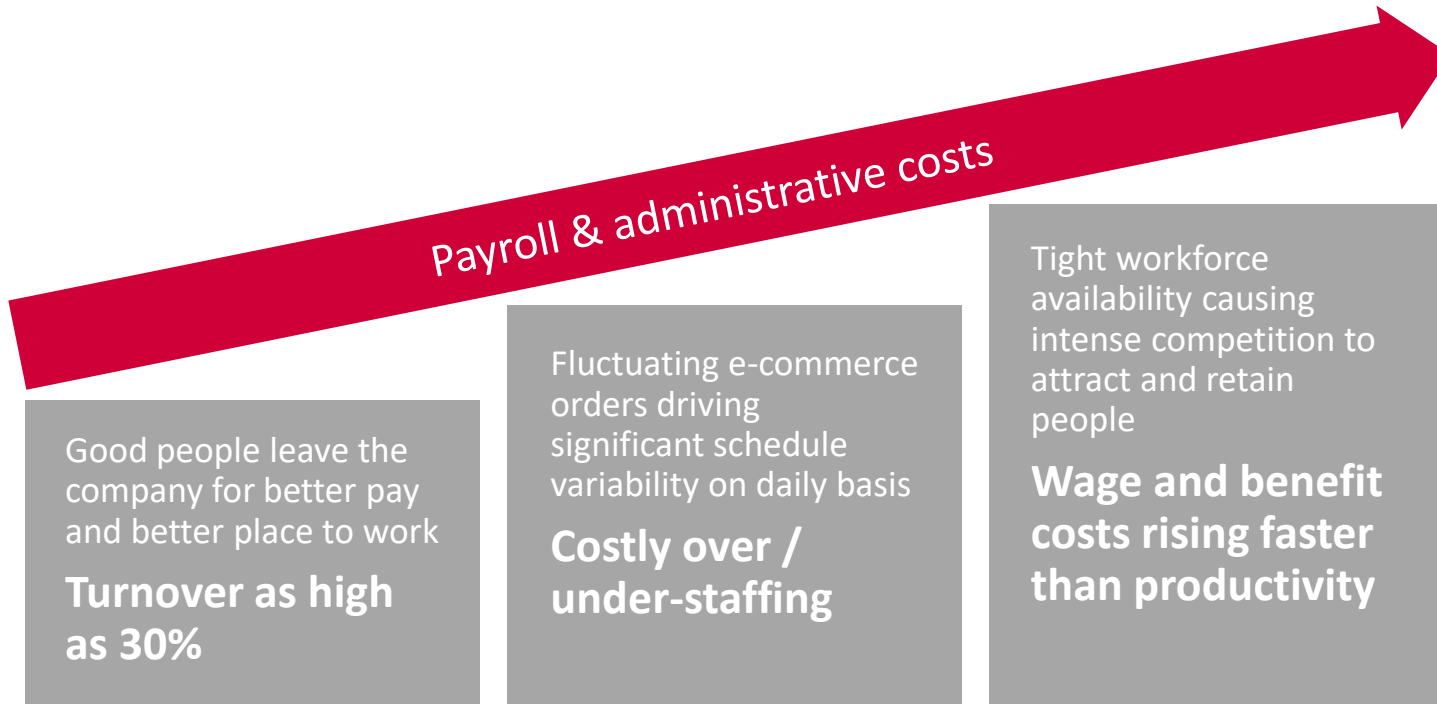
**Inform & activate**



**Orchestrate & Deliver**



# 5. Optimized Workforce Planning and Scheduling Your Workforce Management Impact to Bottom line



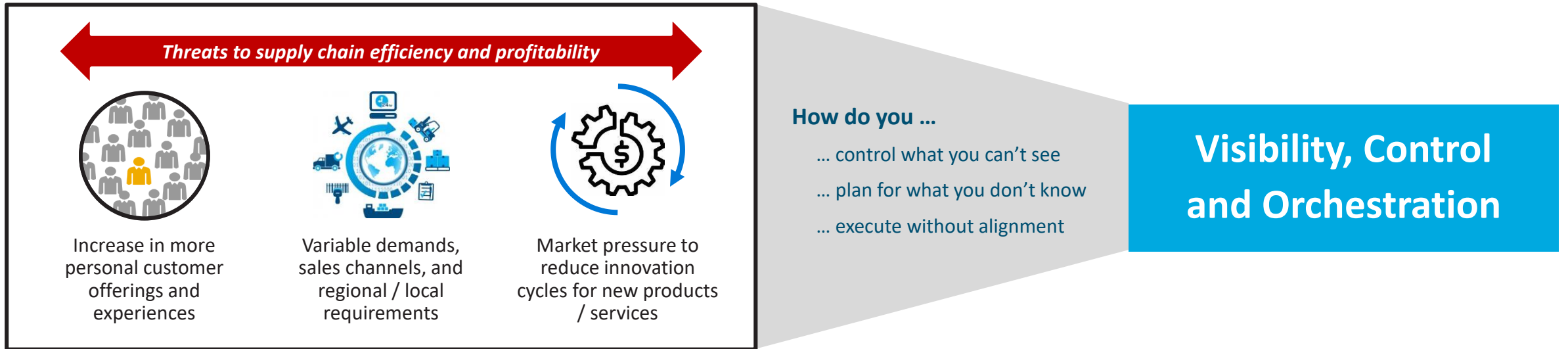
- GMs create budget plans on the high-side due to high uncertainty, sometimes off by 20-30%
- Operations Manager frequently scramble due to over/understaffing (up to about 70% of the time)
- Supervisors spend at least 2 hours each day to shuffle schedules and less time to coach
- Associates are easily turned to other companies for better pay and work conditions leading to about 30% turnover
- HRs are usually reactive to hiring and turnover issues



Most companies have at least a 5%  
Labor cost reduction opportunity

# JDA's Digital Transformation Strategy

# A New Operating Model Required

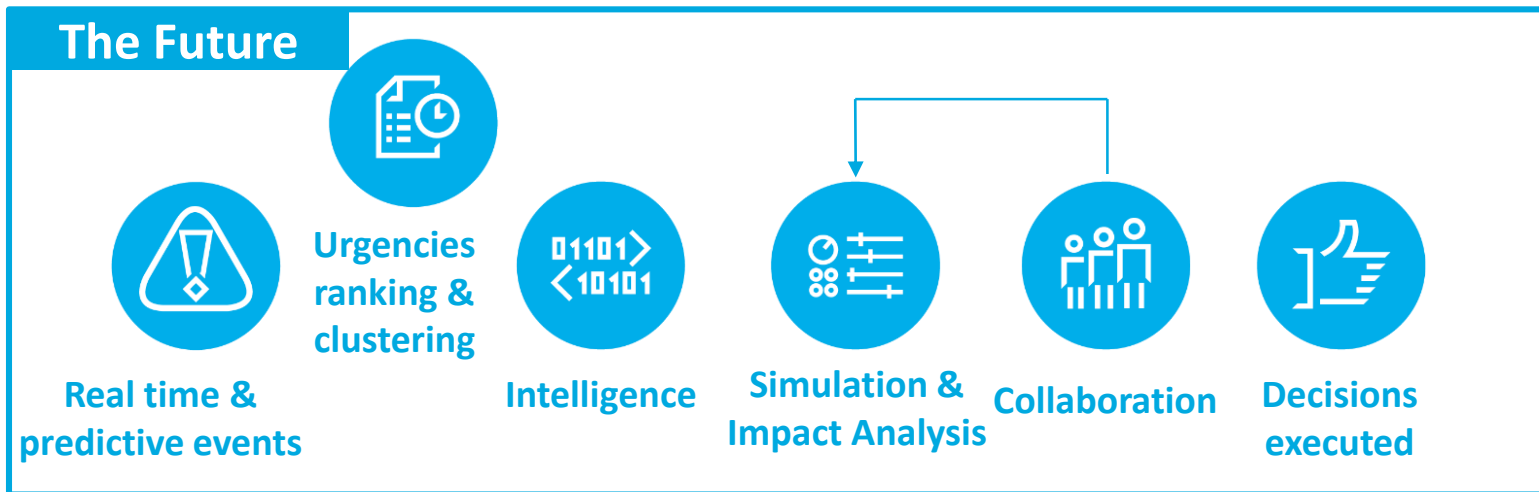
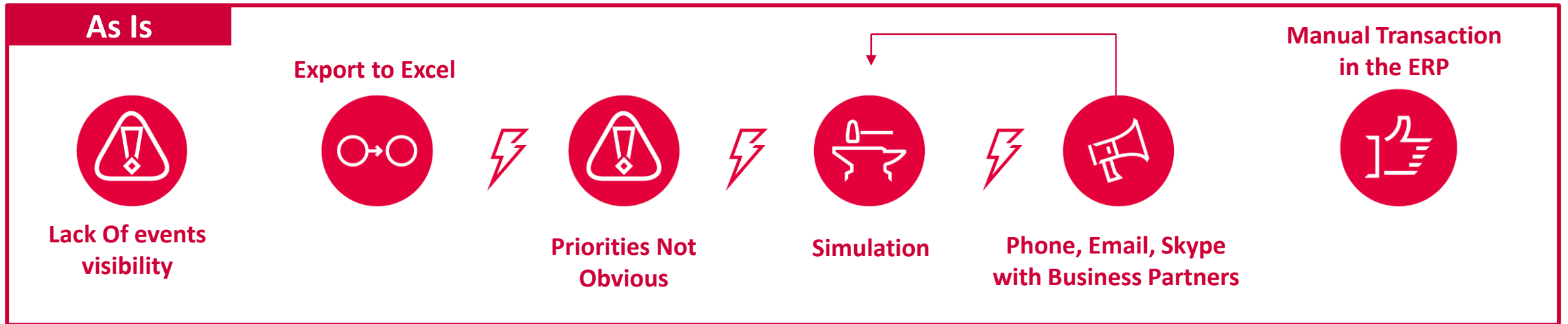


Uniform to Personalization-at-scale

Node to Network

Periodic to Real-Time

# The Day In Life: AS IS vs The Future



Improved Decisions  
Less Time

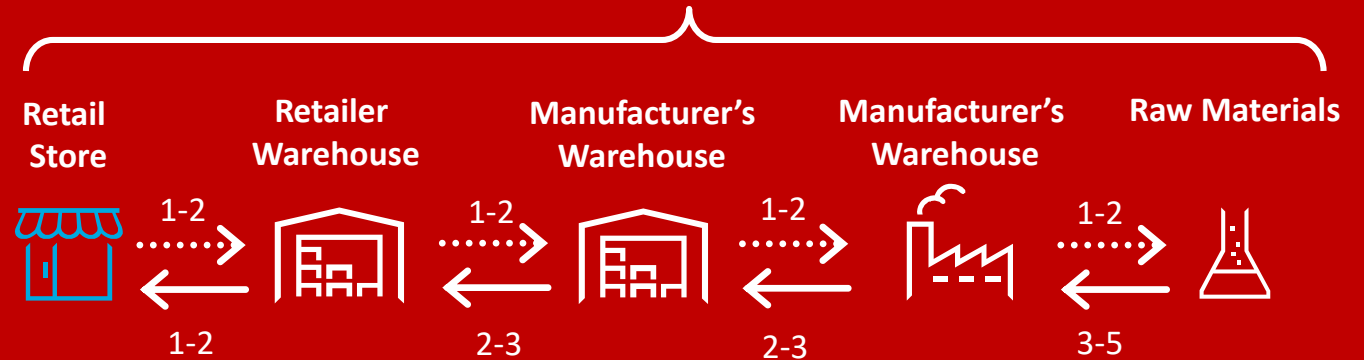
# Beverages Case Study: Business challenges required a supply chain planning transformation...



Case Study

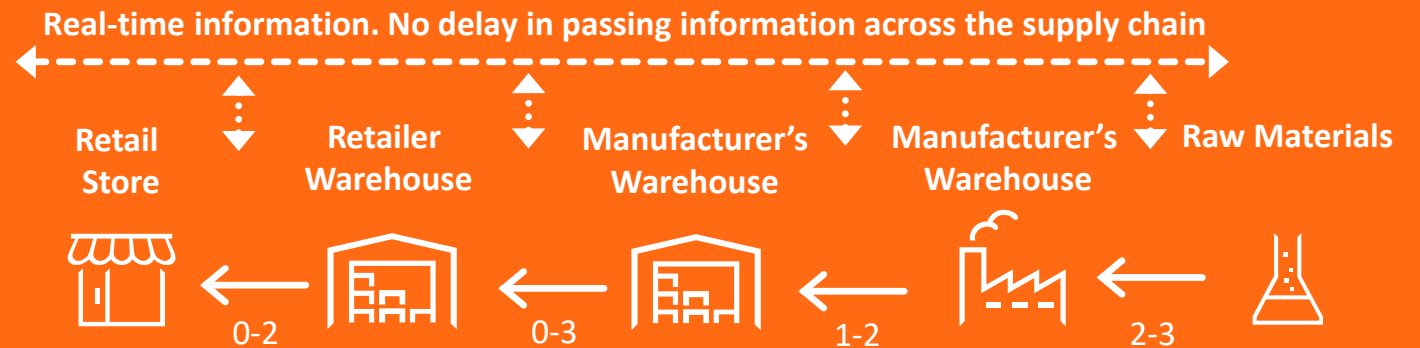
**FROM: Traditional Supply Chain**  
Siloed Approach

Low collaboration and slow information flow



.....> Information flow in days    <----- Product flow in days

**TO: Demand-Driven Supply Chain**  
End-to-end Orchestration

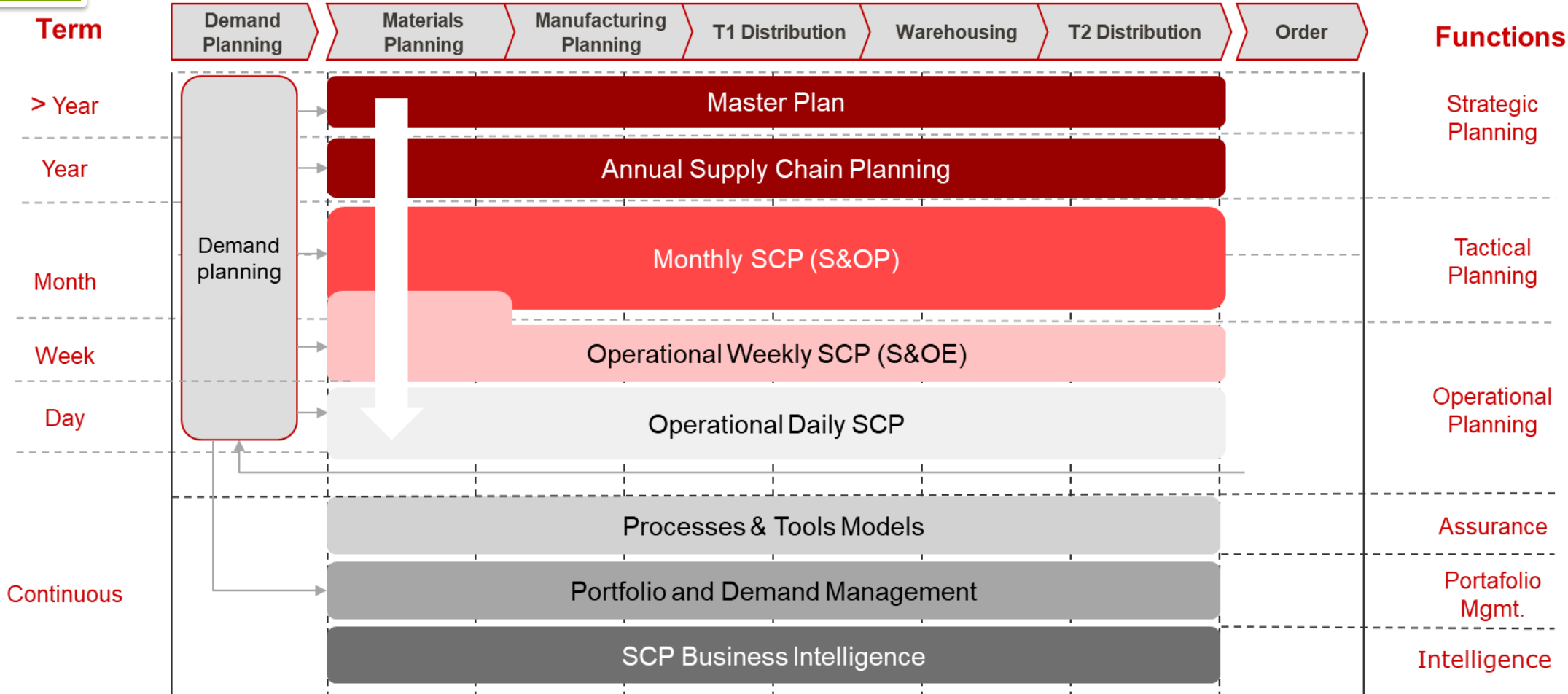


# Beverages Case Study: Best-in-Class Supply Chain Planning Processes using a 360° approach...



Case Study

End-to-end



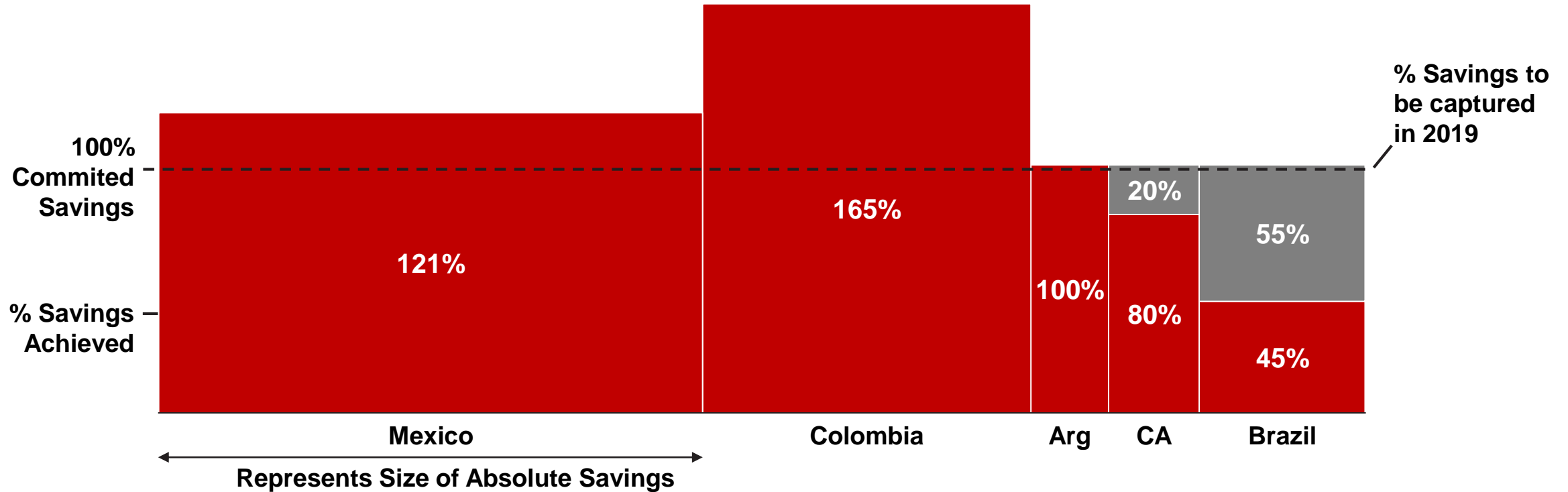
**In total 9 macro-processes and 40 sub-processes have been generated**



# Beverages Case Study: Total Savings are according to the Business Case

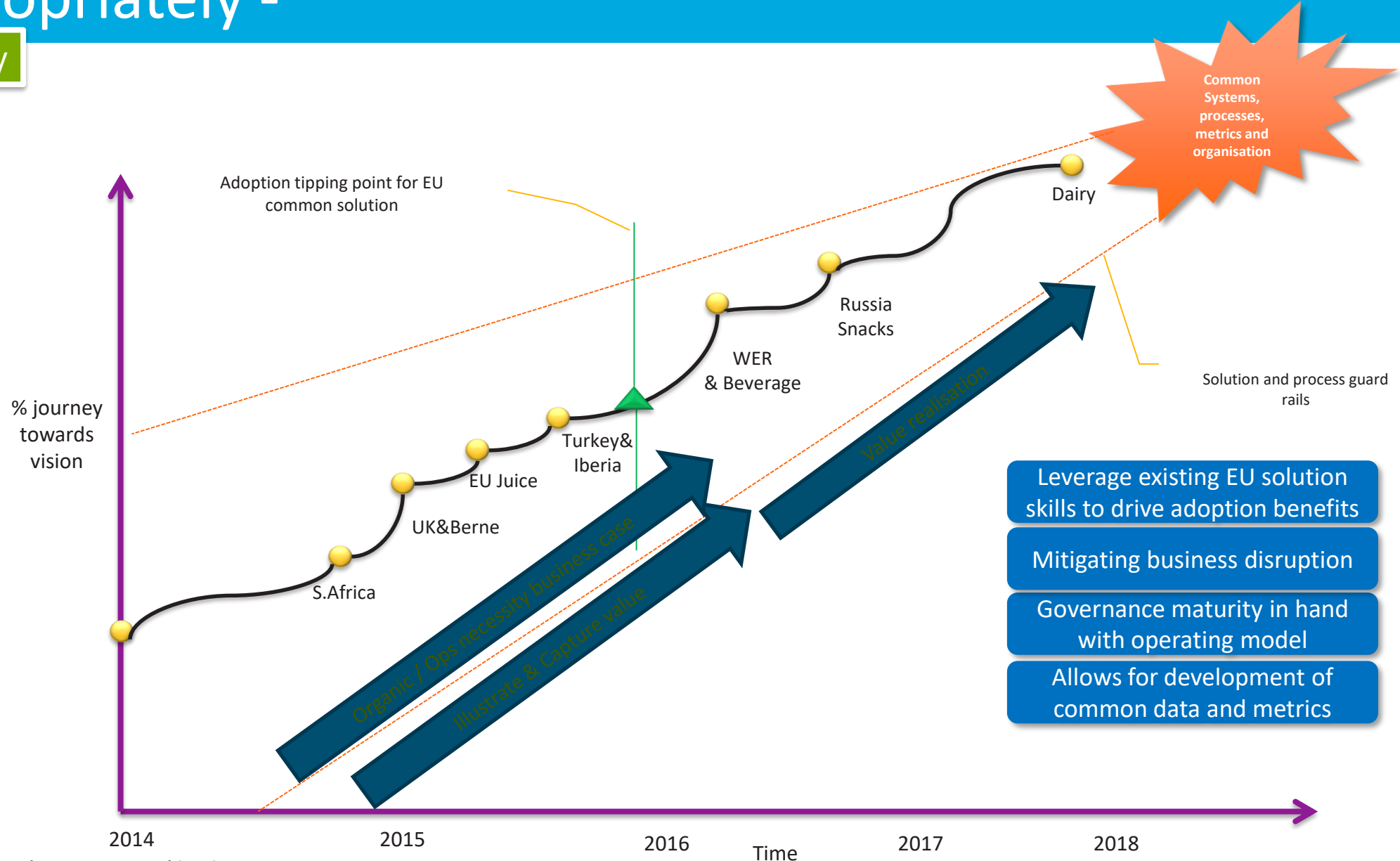


Case Study



# LEVERAGE: Plan big, start small, fail fast, scale appropriately -

Case Study



YESTERDAY:

THE **BIG** FISH



EATS THE SMALL FISH

TODAY:

THE FAST FISH



EATS THE SLOW FISH

#ALD2017

# Why JDA

# JDA is a strategic supply chain partner for growth



Comprehensive, end-to-end supply chain capabilities

Value realization across all major industry verticals

Leading the innovation in AI/Machine Learning for supply chain applications

The first SCM Development Platform

Proven strategic engagement methodology

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# Proven Value Delivery in the Consumer Industries



## Food & Beverage



## Distribution



## Consumer Products



## Retail





# Digital Transformation Can Impact and Deliver across the Value Chain



## FG Inventory Days of Supply



**Top Performers:**

14.83 Days

**Bottom Performers**

60.5 Days



**46**

**Days**

## Logistics & Warehouse Costs



**Top Performers**

\$9.14 per \$1K revenue

**Bottom Performers**

\$58.17 per \$1K revenue



**\$49M**

**per year\***

## Demand/Supply Planning Costs



**Top Performers**

\$0.1 per \$1K revenue

**Bottom Performers**

\$1.83 per \$1K revenue



**\$2M**

**per year\***

## Lost Sales



**Top Performers**

98.85% Order Fill Rate

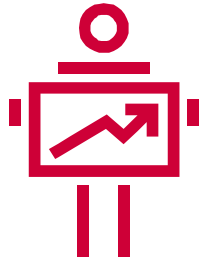
**Bottom Performers**

90.0% Order Fill Rate



**\$89M**

**in top  
line sales\***



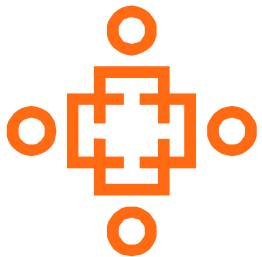
## RESULTS

We are obsessed with delivering customer value.



## RELENTLESS

We relentlessly drive new learning and innovation.



## TEAMWORK

We candidly and respectfully collaborate.

jda.  
Plan to deliver™