Achieving High Performance in Consumer Goods by Integrating Demand with Supply Planning
The Business Issue

The challenge of synchronizing demand signals with efficient supply chain operations is as old as retailing itself. In a perfect world, a consumer's desire for a product would be anticipated and fulfilled through a seamless, efficient supply chain and manufacturing operation, and every consumer intention to buy a product would result in a sale. In the real world, consumers often find products out-of-stock and less desirable items languishing on store shelves. The primary challenge is connecting all the components of demand and supply planning and fulfillment operations, so that product availability is reliable, time-to-shelf is fast, and manufacturing and distribution costs are minimized. In short, getting the right product in the right place at the right time requires companies to draw upon what Accenture research has identified as the three building blocks of high performance: achieving market focus and position, developing distinctive capabilities, and sculpting a productive performance anatomy. Yet, despite having valuable skills to draw upon, it is not enough to prevent many manufacturers from contracting the twin plagues of lost sales (due to out-of-stocks) and high inventory carrying costs and obsolesces.

Manufacturers have traditionally focused on supply planning components – pushing their products out the door. Now more manufacturers are realizing that serving customers and consumers better requires equally expert demand side capabilities. While there is definitely some benefit to developing either capability, focusing on both demand and supply simultaneously will deliver benefits where the sum of capabilities is greater than each separately. Particularly during economic downturns consumers are more reluctant to spend and more demanding in their expectations from retailers and manufacturers. Consumers expect manufacturers and retailers to work together to develop a deep understanding of purchasing behavior and demographic data to deliver the right products at the right time. Accordingly, investing in the processes and technologies that enable the integration of all demand and supply planning components is now more critical than ever.

Solutions Backed by Our Ongoing High Performance Business Research

Accenture's High Performance Business research shows that the high performers outperform their peers in revenue growth, profitability, cash flow and total return to shareholders.

While many companies compete on a single point of differentiation, the competitive essence of high-performance businesses is almost always achieved through the balance, alignment and renewal of the three "building blocks" of high performance:

- Market focus and position
- Distinctive capabilities
- Performance anatomy

From Accenture's study of more than 6,000 companies, there emerged a sense that these three attributes of excellence can transcend and unite otherwise disparate organizations. And while the shape and tactics of each of the three building blocks varies some across consumer goods segments, they are the foundation for remaining ahead of the game—and, ultimately, what it takes to be a sustained high-performance business.
Accenture's solution for integrated demand and supply planning recognizes the complexity of developing and integrating demand and supply side capabilities. The approach is an end-to-end solution (see Figure 1), encompassing all critical components of both sides, as well as foundational capabilities. The solution can be disaggregated, allowing companies to select various elements on which to focus. Accenture supply chain professionals recognize that different industries, and categories within an industry, need to emphasize different capabilities or dimensions of integrated demand and supply planning. For example, Accenture's High Performance Business research found that for health and beauty products extracting actionable consumer insights and using them in innovation marketing are crucial capabilities, yet for perishable food or drinks manufacturers superior customer and channel management, as well as flexible operations prove more valuable. However, despite these sector differences, there are common capabilities applicable to all sectors: effectively gathering, integrating and acting on point of sale (POS) data to send the correct demand signal from retailers to manufacturers at the right time is imperative.

The consumer centricity that is at the heart of integrated demand and supply planning requires not only a consumer-centric strategy, but supporting processes and technology to make it a reality. Our experience has grounded us in viewing this process to begin at the retail shelf and move backwards through the supply chain, as opposed to traditional push-based demand fulfillment models. There are six major components of Accenture's approach to integrated demand and supply planning—consumer sensing and response planning, demand side collaborative planning, sales and operations planning, demand planning, supply chain planning and supply side collaborative planning—collectively they encompass all the capabilities needed to move products from suppliers to consumers. Each component is critical to a consumer goods company's efficient operation, but few companies have the comprehensive integrated demand and supply planning capability. When all of these components are used together, they deliver more aggregate value than when separately. It specifically results in higher planning process efficiency and effectiveness by releasing and integrating demand signals appropriately to supply chain planning, and linking sales and operations planning to proactively manage demand and supply capacity.
Consumer Sensing and Response Planning reflects what consumer goods and services companies realized long ago: one-size-fits-all products rarely succeed in the current marketplace, and providing the same level of service to all customers is not sustainable. Accordingly, this capability helps manufacturers use customer and consumer information to make profitable decisions both upstream and downstream within the supply chain. Specifically, Accenture’s approach to tailored supply response planning applies sophisticated analytics to a wealth of demand-side information (beyond POS), such as consumer demand, customer expectations, product attributes, shopping trends, demographics and psychographics to help companies:

- Segment customers, consumers and products based on attributes and insights that can provide deeper intelligence when used in conjunction with POS information.

- Use the segmentation analytics to devise a tailored supply plan, which can lead to planning and allocation of supply chain resources more efficiently by segments.

- Ensure the use of this segmentation to drive all planning decisions upstream and downstream within the supply chain, including end-to-end product lifecycle management and store keeping unit (SKU) rationalization.

Demand Side Collaborative Planning delivers greater visibility to downstream activity through use of technologies and processes that enable cooperative planning with strategic partners. This is a next generation capability, building on well-known approaches like collaborative planning, forecasting and replenishment (CPFR); co-managed planning; collaborative replenishment planning (CRP); and vendor managed inventory (VMI); as well as others.

The Sales and Operations Planning capability integrates all efforts among the demand planning and supply chain planning areas, which generally include resolving conflicting interests and/or goals to best balance demand with supply capacity. The approach to sales and operations planning developed by Accenture provides a platform to resolve these conflicts while considering business constraints and achieving overall objectives. The goal is to develop and implement internal collaboration processes that are strategic and visionary as well as timely and replicable. This is both a cross-functional and cross-enterprise process with a strong link to external collaboration. Accenture’s goal in all sales and operations planning initiatives is to help clients put in place processes and technologies that enable inter- and intra-enterprise planning, are fact-based and responsive, as well as drive operating efficiencies and cost management efforts.
Demand Planning traditionally involves generating a forecast for expected demand using statistical methods as well as internal and external intelligence. This demand plan can be on a weekly, monthly, quarterly and/or yearly basis. Accenture’s approach to demand planning incorporates lifecycle demand planning and demand management which allows companies to dynamically plan and manage demand through the entire lifecycle of a product, from new product introduction to product maturity to end-of-life or end-of-season. Tools included in this capability also incorporate artificial sources of demand generation such as specific promotional, pricing and marketing efforts.

Supply Chain Planning, to be done effectively, depends upon a range of discrete but related capabilities. Accenture’s solution includes strategies and technologies proven to enhance critical supply chain planning activities for finished goods, work-in-process and raw material inventory, including:

- Inventory planning / inventory optimization
- Capacity planning
- Distribution requirements planning
- Material requirements planning
- Production planning and scheduling
- Replenishment planning / supply planning

Supply Side Collaborative Planning is an area in which many consumer goods and services companies have well established processes, such as schedule sharing and vendor managed inventory programs that have made great improvements in raw material availability while lowering overall costs. This capability becomes even more powerful as the capability is extended to functions such as collaborative replenishment planning and collaborative transportation planning.

The distinctiveness of the Accenture solution lies in its holistic, end-to-end approach and the unique foundational capabilities and assets that Accenture alone can provide. Our deep industry, systems integration and change management experience, along with alliances with SAP and other leading enterprise software providers enable our integrated demand and supply planning core capabilities. In addition, proven assets such as our Global Delivery Network and detailed industry-specific High Performance Process Models based upon our award-winning research of the characteristics of high-performance businesses provides a clear path for companies seeking to transform both their supply- and demand-side planning capabilities.
Consumers have much more power and are more savvy now about sensing if and how well manufacturers are listening and responding to them. Accenture’s holistic approach to integrated demand and supply planning helps manufacturers meet those heightened demands by employing our deep industry knowledge as well as our consulting, outsourcing and technology platforms to arrive at a near seamless integration of supply and demand side planning capabilities. We work with consumer goods and services companies to simplify planning operations to make them more responsive, accurate and efficient and develop cultural and organizational characteristics that allow strong relationships and collaborative processes with retailers and consumers—all of which are crucial to sustained high performance. Contact us to discuss how we can collaborate to improve these critical capabilities for your company.

Client Case Study

Like many European-based consumer goods and services companies, our client was faced with a dual challenge: aligning local country consumer demand and working with a myriad of local distributors and retailers, while also achieving maximum efficiency in its supply chain, manufacturing and distribution operations. Consequently, its primary goal when contacting Accenture was improving supply-side planning—specifically, identifying the highest level at which it could organize collaborative supply chain planning and serve local, country and regional markets cost effectively.

A key part of transforming its supply planning was migrating manufacturing facilities and other activities from local-based to more centralized regional models. Careful design of central versus local roles in strategic and tactical planning focused on balancing a close link to local demand with more centrally coordinated supply across geographies, while also laying the foundation for additional economies of scale in back-office and distribution activities. These moves delivered greater insight into and predictability of facility utilization and more control over planning. With an operating plan cycle reflecting a regional scope, the company can shift allocation of production where needed, enabling better service by factories to individual markets.
About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 181,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world’s most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$21.58 billion for the fiscal year ended Aug. 31, 2009. Its home page is www.accenture.com.

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