Is Your Consumer Goods Supply Chain Ready for Anything?
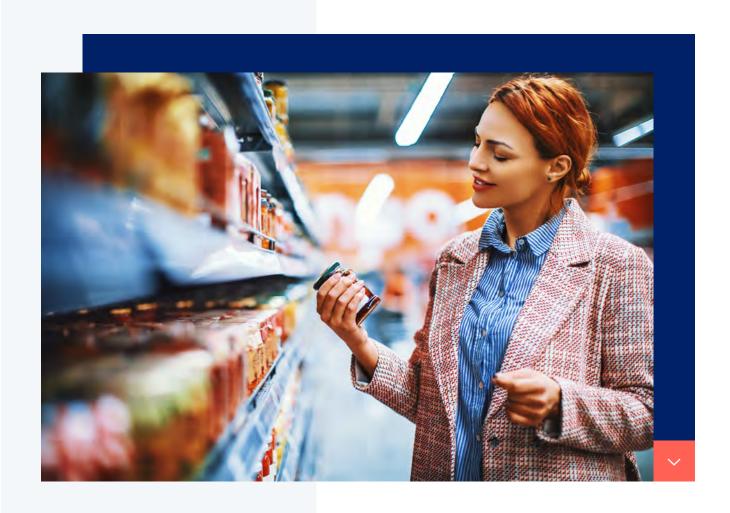
To thrive in the **consumer goods** (CPG) industry, you need to balance satisfying shifting consumer preferences for new products and services—and the corresponding SKU growth—while maintaining the tried-and-true items your customers keep coming back for. What's more, the dramatic post-COVID growth of ecommerce creates extreme complexity in forecasting different demand signals and minimizing costs.

/ Demand uncertainty and slow-moving inventory

With consumers looking for more choices, this means escalating SKU counts and more slow-moving items compared to other industries. Traditional supply chain applications are not designed for high variability demand, so inventory mixes and service levels get out of balance, leading to stock-outs and excessive costs, waste and obsolescence.

/ Explosive growth of ecommerce/multi-channel

With the growing trend of direct-to-consumer business, consumer products companies must adapt their traditional supply chain channels to ecommerce. These channels create greater demand variability and inventory balancing complexities. Many companies resort to holding excess inventory to combat the risk of lost sales due to stock-outs.

To stem defections from formerly loyal customers and simultaneously take advantage of the surge in online shoppers, CPG companies must develop immediate visibility into changes in demand.[1]

/ Minimizing obsolescence without sacrificing service

Inventory planning is complex in general, but even more so when products have a potential risk of obsolescence. For food and beverage, cosmetics, and other industries with shelf-life requirements, this typically results in high inventory write-offs as lots age out.

/ Complexity of new product introductions and promotions

New products and promotions are critical to success, but forecasting them is increasingly tricky due to lack of historical data, variations of existing SKUs, shortened product life cycles, and expansion into different product categories via new sales channels. Getting the forecast wrong results in overstocks or empty shelves and lost sales.

Consumer Goods

Consumer Goods Companies Like These Trust ToolsGroup

ToolsGroup is how consumer goods companies achieve their target service levels while optimizing inventory—no matter how complex their supply chain is or how much demand changes. That way, they can be ready for anything.

ABSOLUT.

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FRANKE

GRANAROLO

GALLO

ACQUA DI PARMA

mohawk

BOLTON GROUP

Melitta

NESPRESSO.

THULE SWEDEN

MOLESKINE®

Deliver Exceptional Service Profitably, Even With Uncertain Demand

Profitability in the consumer goods industry is a balancing act. While others focus on forecast accuracy, ToolsGroup focuses on the ultimate goal—service-level delivery. With ToolsGroup Service Optimizer 99+ (SO99+), set your service levels and relax knowing you'll meet them with the minimum inventory investment.

Our Consumer Goods Customers Commonly Achieve:

✓ **10-30%**
Reduction in inventory with improved inventory turns

✓ **5pp**
Increase in forecast reliability

✓ **95-99%**
Service levels

✓ **10-30%**
Reduction in product obsolescence

✓ **50-90%**
Reduction in planner workload with machine-learning automation

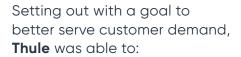**68% of CPG CSCOs said supply chain planning is an investment priority now.**
– Gartner[2]

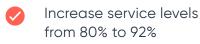## Digital Planning Enables Agility to Thrive Amid Uncertainty

Traditional supply chain planning solutions can't handle intermittent demand, so it's especially difficult to maintain high service levels across brick-and-mortar and ecommerce sales channels. ToolsGroup digital supply chain planning solves this planning problem with an exceptional ability to forecast intermittent demand and optimize multi-echelon inventory.

- **Scenario plan** to understand inventory and margin impact of planning and policy decisions

- **Accurately forecast intermittent demand** and slow-moving inventory to make smart inventory decisions in highly uncertain environments

- Achieve **high service levels while reducing inventory**

- Easily measure and predict **ecommerce**/**multi-channel** sales separately from traditional demand signals

- Accurately model the impact of **complex promotional mixes**—including pack size and seasonal designs—with an AI-powered forecasting engine

- Define an inventory strategy to **minimize the risk of obsolescence** and maximize service

- Produce **fully-automated forecasts for new product introductions** and replacement products with machine learning

With ToolsGroup, consumer products companies can define a strategic inventory mix unique to each item's needs, to maximize turns and profit while minimizing obsolescence.
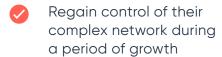
THULE

Setting out with a goal to better serve customer demand, **Thule** was able to:

- ✓ Reduce inventory by 15%
- ✓ Increase service levels from 80% to 92%
- ✓ Regain control of their complex network during a period of growth

"The results we've achieved prove the merits of an automated, centralized planning approach rather than a manual, decentralized process. We are managing successfully during a period of high growth and still have control over our inventories."

—**Rickard Andersson,** vice president of supply chain

GRANAROLO

- ✓ Forecast reliability increased by 5 percentage points
- ✓ Reduced inventory levels by more than 50%
- ✓ Reduced delivery time by 50%, minimizing obsolescence

Granarolo adopted **ToolsGroup** promotions planning, which uses machine learning technology to translate historical data into reliable estimates of future promotions.

mohawk

- ✓ Service levels increased from 85% to 93% in just 6 months
- ✓ Global inventory lowered by 25%, with 8% sales growth
- ✓ 40+% improvement in inventory turns

Over the course of the project, **Mohawk's** customer service-level metric was changed from "order lines shipped complete within five days" to "order lines complete and available at time of order".

"With SO99+, organizations are equipped with greater supply chain flexibility and agility to meet the rapidly changing demands of today's commercial landscape."

— Nucleus Research[4]

How ToolsGroup Stands Apart in Digital Supply Chain Planning

/ Service-driven planning

SO99+ service-driven planning software automates and optimizes supply chain planning tasks to meet target service levels. We calculate optimal plans by orchestrating all your planning variables using advanced algorithms and self-learning machine learning technology. You specify the service level and relax knowing you'll reach the service levels your customers expect at the lowest possible cost.

/ Pioneering machine learning to improve forecast precision

Our innovative machine learning engine was designed specifically for supply chain planning, and especially to improve demand forecasting. We incorporate deep learning technology that allows our models to "learn" from existing data and accurately identify future demand trends. This is particularly effective in forecasting for seasonality, new product introductions and promotions.

/ Probabilistic forecasting

Our probabilistic forecasting method incorporates uncertainty modeling across a range of supply chain planning functions, from demand forecasting to inventory and replenishment/ master planning. It offers a new approach where the variability of the supply chain is integrally modeled in the planning and optimization functions, across the end-to-end supply chain. In addition, this uncertainty modeling provides the ability to handle intermittent demand or slow-moving inventory, which are becoming more common due to part proliferation and rapid replenishment cycles.

Would you shift your car directly from first to fifth gear?

That's what the "best fit" forecasting method used by other planning systems is like. They switch algorithms, causing forecast disruptions and overreactions. ToolsGroup uses a single, self-learning algorithm that never switches; instead it makes smooth micro-adjustments over time based on the most recent demand behavior.

/ Single, unified model for end-to-end planning

Service Optimizer 99+ was designed from the beginning as a single, unified model for an end-to-end planning process.

All of our solutions are built from the same detailed model of demand and supply. The net result is an end-to-end process that minimizes the bullwhip effect, scales easily, and provides deep insight into demand signals, inventory behaviors and supply chain volatility.

/ Highly automated solution means your planners are more productive

Our highly automated software ensures that your planners can be more productive at the strategy level instead of spending time putting out fires. Rather than a manually-intensive decision support tool, Service Optimizer 99+ is a solution to which planners can delegate much of the number-crunching, data manipulation and other grunt work. The result is a dramatic improvement in planner productivity and value-added work.

Supply Chain Planning Solutions for the CPG Industry

Our cloud-based planning software runs on Microsoft Azure for scalable, automated planning enhanced by AI.

SALES & OPERATIONS PLANNING

DASHBOARDS & PERFORMANCE MANAGEMENT

Demand Modeling	Demand Sensing & Planning	Inventory Optimization	Supply Planning	Production Planning & Scheduling
• Probabilistic Forecasting • Seasonality • Daily Patterns • Calendars • Sales Windows	• Promotions Planning • New Product Introduction • External Demand Causals • Early Signal Analysis • Demand Collaboration	• Service Level Optimization • Multi-Echelon Inventory Optimization • Mix, Stage & Lot Size Optimization • Inventory Modeling	• Allocation & Replenishment • Dynamic Min/Max Projected Requirements • Monitoring & Visibility • Supply Collaboration	• Master Production Scheduling • Finite Capacity Plan • Available to Promise • Production Scheduling • Manufacturing Execution

SAP Microsoft Dynamics 365 **ORACLE®** **Plus any third-party data sources**

Azure

toolsgroup®

Get Up and Running Fast with Our Turnkey Planning Solution

With new competitors and sales channels around every corner, CPG companies don't have time to wait for six to eight months to improve planning results. With implementations as short as three months, you'll deliver significant business value in a fraction of the time of traditional deployments.

Try our tools to help you build a powerful business case for service-driven planning:

// Online Benefit Calculator
Got 10 minutes? Take our online benefit assessment—based on hundreds of actual companies' results—for a fast, accurate estimate of your supply chain planning opportunity in the areas of revenue, net profit, inventory reduction and inventory holding cost.
Try benefit calculator

// Guided Supply Chain Assessment
This complimentary service provides a rapid assessment of supply chain health and delivers practical and quantifiable evidence of opportunity for improved business outcomes.
Download Guided Assessment brochure

"One characteristic that stands out among CPGs on a clear path to recovery is agility. These agile businesses had already invested in digital transformation technologies and were able to successfully and quickly respond to process challenges."[3]

[1] https://www.bcg.com/en-us/publications/2020/cpg-companies-face-increased-e-commerce
[2] Gartner Supply Chain Brief: Digital Supply Chain Investment Priorities; Published 10 November 2020; Michael Dominy
[3] https://consumergoods.com/how-cpg-brands-are-navigating-path-recovery
[4] Nucleus Research: ToolsGroup Optimizes Inventory to Increase Service Levels. Isaac Gould. July 2020

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