

Fulfillment Challenges Highlight Supply Chain Agility Woes



Survey finds
executives struggling
with fulfillment challenges
and inflexible supply chain systems

Contents

Silos lead to poor supply chain performance	2
Lack of visibility and intelligence prove costly	2
Adequacy breeding complacency?	3
Meeting challenges with supply chain visibility-powered planning	4
Cross-functional integration	4
Re-optimizing for a more resilient and profitable supply chain	5

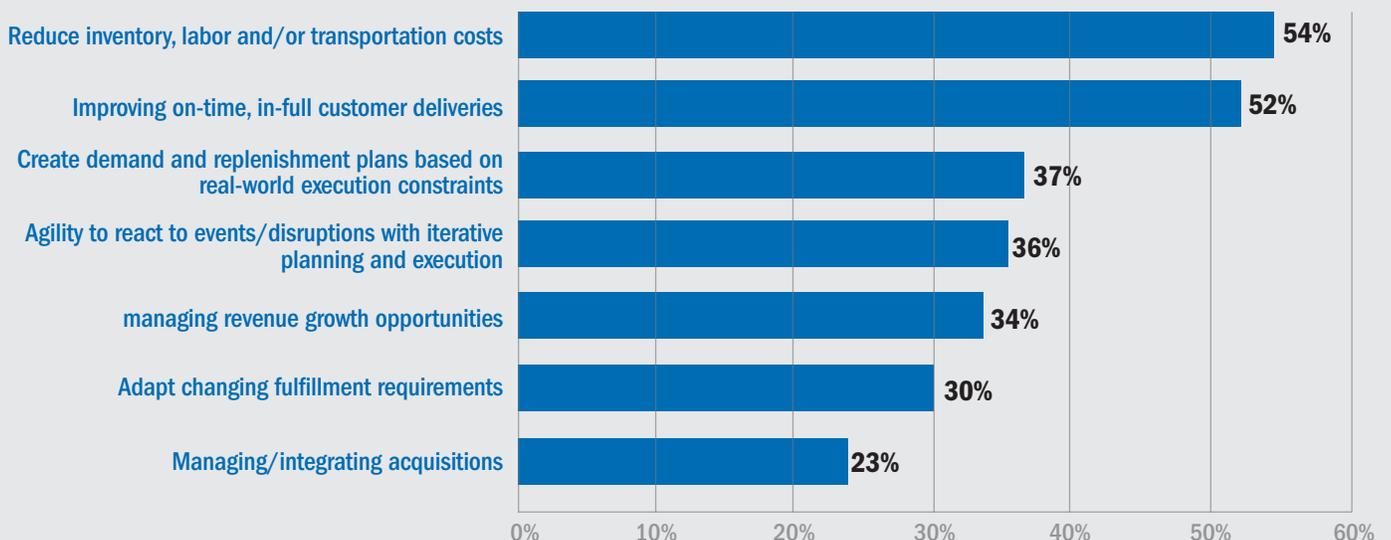
New customer buying behaviors are forcing businesses to come to grips with the need for agile demand and replenishment processes that can adapt to exceptions or disruptions during the execution cycle. Yet inflexible supply chain management systems are creating roadblocks for many companies.

Manufacturers and retailers alike are grappling with supply chain management systems that lack visibility into real-world execution constraints. Consumer and business buying patterns are changing rapidly, as the Web and mobile technology make it easier to order across different channels. If retailers and manufacturers are unable to meet expectations across all channels, they risk disappointing buyers.

Manufacturers are under the gun to deliver the goods when and where needed, even if those needs change between production and delivery. “The art of getting physical products to the final customer now involves coordinating a multitier network of upstream and downstream partners—distributed globally—across which innovation needs to be ever quicker and more relevant, all in the face of increasing risk of disruption,” according to the [Institute for Manufacturing](#) at the University of Cambridge in England.

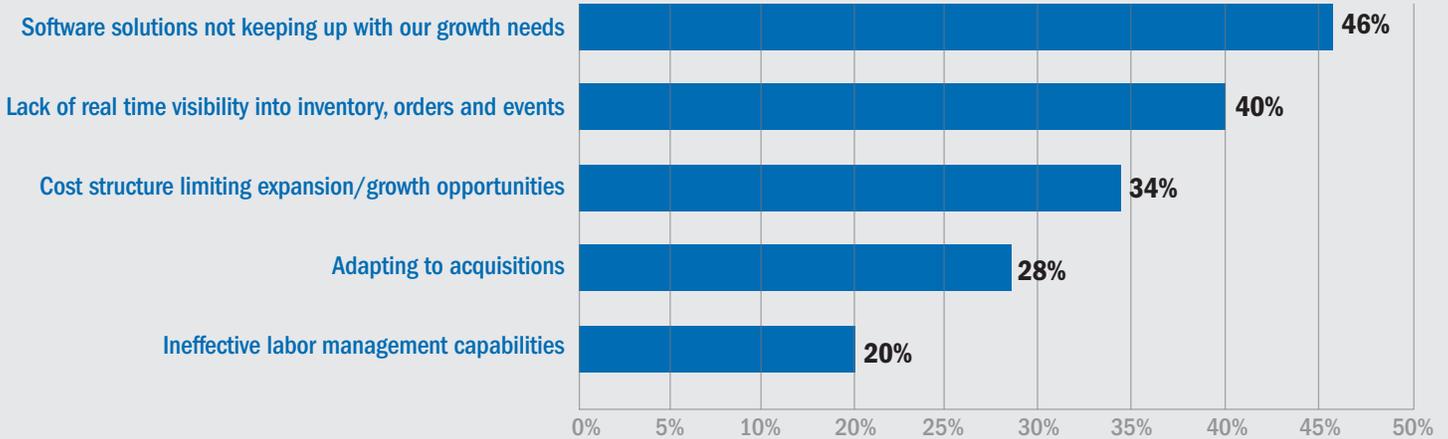
“Suppliers need to be able to adapt replenishment processes in a more agile manner in order to accommodate rapid changes in demand as customers shift between channels. In-place management systems simply can’t handle the growing challenge of variability when it comes to fulfillment,” says Fabrizio Brasca, vice president of solution strategy for JDA, a leader in end-to-end retail and supply chain planning and execution solutions.

What strategies are you developing or pursuing to enhance your supply chain management systems?



What key issues are impacting distribution strategies across your supply chain systems management solutions?

(Rate 1-5, 1 = Not a major issue, 5 = Very challenging)



“When demand shifts across different channels, there is now a disparity or increased variability of where the supplier must fulfill,” Brasca adds. “There are all types of fulfillment combinations and permutations that can occur, and manufacturers and retailers have to be able to react quickly. But the biggest challenge is to manage that variability in a profitable manner.”

JDA commissioned Gatepoint Research to survey operations, management, and technology executives from a wide range of industries, including food and beverage manufacturers, industrial, life sciences, grocery, and consumer retail, to assess distribution-centric supply chain management planning strategies. More than 80 executives across e-business, e-commerce, operations, technology, and logistics functions participated in the survey. The results indicate broad gaps between business strategies and existing capabilities.

Silos lead to poor supply chain performance

The Gatepoint survey finds that 54% of respondents indicate their top strategy for enhancing supply chain management systems is reducing inventory, labor, and transportation costs. Another top strategy, according to 52%, is improving on-time, in-full customer deliveries.

Yet many are frustrated by the inability to orchestrate orders across silos. A resounding 41% say they have inferior capabilities, while 24% of survey respondents judge their

capabilities as superior and another 27% say they have adequate capabilities. Forecasting is another area where executives indicate a need for improvement, with 40% assessing their capabilities as inferior, 33% as adequate and 24% as superior.

“A lot of solutions that are in place—such as transportation management, warehouse, fulfillment—ultimately get the goods there,” says JDA’s Brasca. “But these solutions are geared in silos to be able to do network planning—to get inventory generally in the right place—but everything else that deals with the individual order is very execution focused.” The challenge is enabling those upstream planning capabilities to meet the needs of downstream execution without disrupting costs.

Lack of visibility and intelligence prove costly

The Gatepoint survey reveals that 46% believe their current software solutions are not keeping up with growth and other needs, and 40% say they do not have sufficient real-time visibility into inventory, orders, and events. The problem for many companies is that demand and replenishment processes aren’t aware of the real-world execution constraints that can prevent even the best plans from being successfully executed.

For example, a planned promotion can prove costly if there isn’t enough labor available at the distribution center to unload the inbound shipment of additional inventory

and the supplier has to pay for unplanned overtime. Or if a core carrier does not have enough capacity to handle shipment of a large order for a key customer, the supplier may have to pay for expediting charges or the use of more expensive noncore carriers.

Solving today's fulfillment challenges requires the systematic sharing and leveraging of supply chain processes across multiple planning and execution disciplines. Yet one-third of the survey respondents say they are saddled with inconsistent workflows and processes in their current supply chain management solutions. And 35% cite inconsistency across regions, divisions, channels, and/or product lines. More telling, perhaps, is that just 25% consider their supply chain solutions to be well integrated.

Without strong integration across an enterprise's supply chain solution suite, it is difficult to determine optimal inventory distribution and order fulfillment decisions. Demand and replenishment plans that lack visibility into network inventory and execution constraints, such as labor availability and capacity, make it difficult if not impossible to respond to events in an agile manner. That can result in organizational sluggishness at a time when markets are more volatile than ever. In this situation, a company is likely unable to quickly and accurately re-plan when unexpected events or disruptions occur, leaving plans both out-of-date and un-executable. That can lead to overstocks, out-of-stocks, and dissatisfied customers.

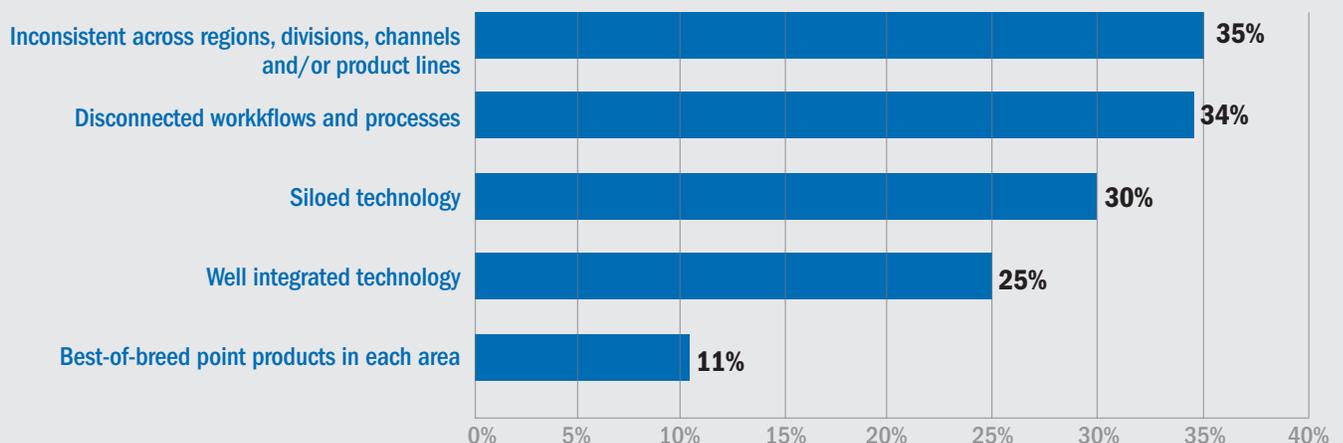
Adequacy breeding complacency?

When it comes to specific supply chain management functions, most survey participants categorize their current solutions as "adequate." That underwhelming rating may indicate that a degree of complacency has crept into enterprises' expectations for their technology. This hardly augurs well for competing in a multichannel environment.

The most positive assessment in the Gatepoint Research survey is in the area of transportation management, where 20% indicate they believe the capabilities of their existing technology solution is superior, compared with 19% who say it is inferior. The poorest is in the area of warehouse management, where 21% say they have inferior capabilities, compared with 15% who believe their technology is superior. Replenishment and labor capabilities are similarly lackluster.

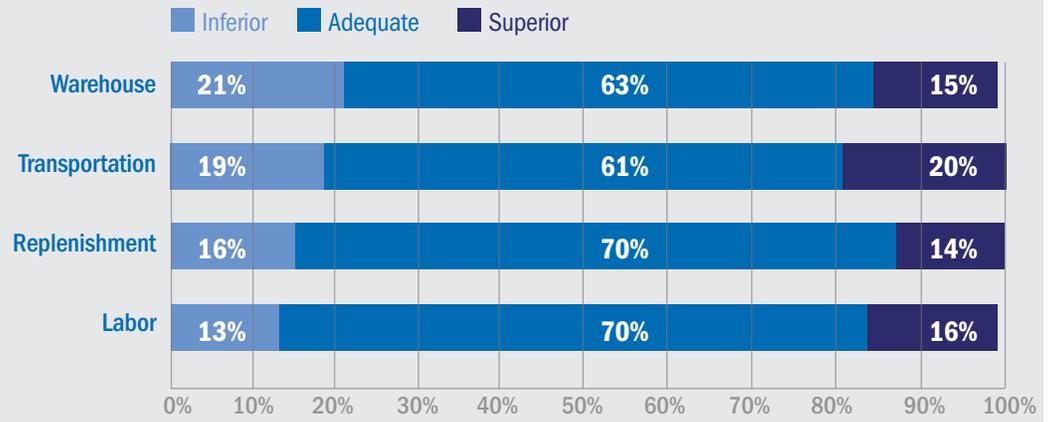
A key element in fulfillment success is the ability to coordinate warehouse management and transportation management, yet 59% of survey respondents indicate the level of integration between their technology solutions for those functions is average to poor. Fewer than half of respondents have moved to upgrade technology for those key functions within the past five years, and 61% indicate they've made no major upgrade in their fulfillment solution during that period. In the area of labor management, just 18% have invested in upgrading their technology.

How would you categorize your suite of supply chain management solutions across your entire organization?





How would you assess capabilities of your current technology solutions in the following supply chain management areas?



Meeting challenges with supply chain visibility-powered planning

There are signs, however, that businesses are beginning to recognize the need for new investment in supply chain management solutions. In the survey, 31% indicate they have plans or are already underway with a new initiative. Another 9% say they are talking about a new initiative, and 12% recognize the need to do so even though they have no current plans.

So, how can companies become more agile and flexible to meet the needs of a rapidly changing, multichannel environment? “Tough problems require sophisticated, capable solutions,” says JDA’s Brasca. “Everyone wants to mitigate costs, but if you are going to do it right and enable changes to meet these challenges head-on, some tough decisions have to be made and enterprises have to look at different initiatives.”

Operational silos perpetuate barriers to achieving the agility, flexibility, and productivity required in this new era. What is needed is an execution constraint-aware planning system that creates plans that can actually be executed, with visibility into network-wide inventory to enable agile re-planning when exceptions or disruptions occur during the execution cycle.

“The key is the ability to marry downstream execution with traditional upstream capabilities,” says Brasca. In JDA’s

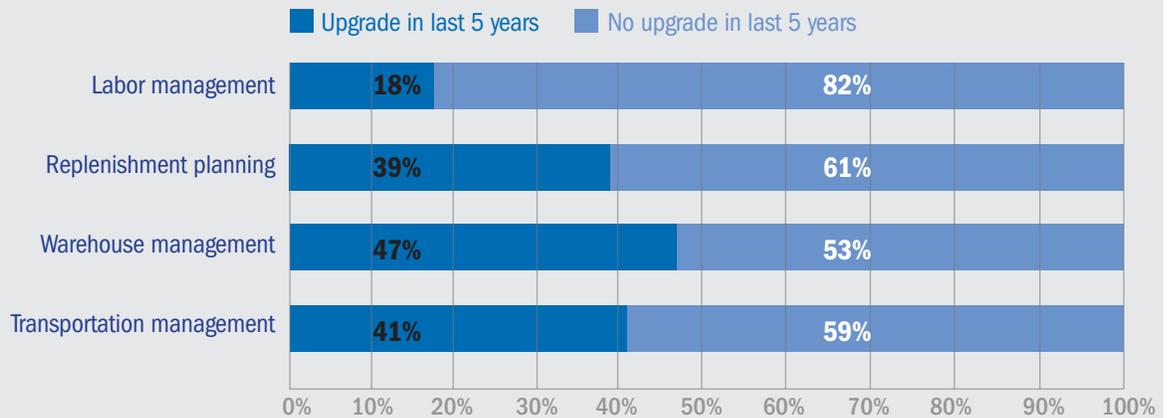
view, real-time visibility of inventory, orders, and events can be applied to demand and replenishment plans to eliminate traditional functional silos and implement agile demand and replenishment processes that can adapt to exceptions or disruptions during the execution cycle.

But that requires supporting workflows for cross-functional business processes, and utilizing technology with the speed, scalability, and flexibility required for an often-unpredictable marketplace.

Cross-functional integration

Addressing the complexities of today’s global, consumer-driven marketplace starts with cross-functional integration and continues with implementing best-of-breed solutions and technologies that enable intelligent and profitable distribution decision making. JDA’s Intelligent Fulfillment solution provides all locations with consistent, reliable, and up-to-date capabilities that are carefully calibrated to match shifting conditions. Supply chain execution information is systematically shared and leveraged across multiple planning and execution disciplines. From enabling proactive early visibility and synchronization of pick-up and drop-off appointments from carriers within the warehouse, to optimizing replenishment plans against up-to-date item packaging, equipment type, and availability constraints, these synchronizations can unlock new levels of efficiencies and cost savings for retailers and manufacturers.

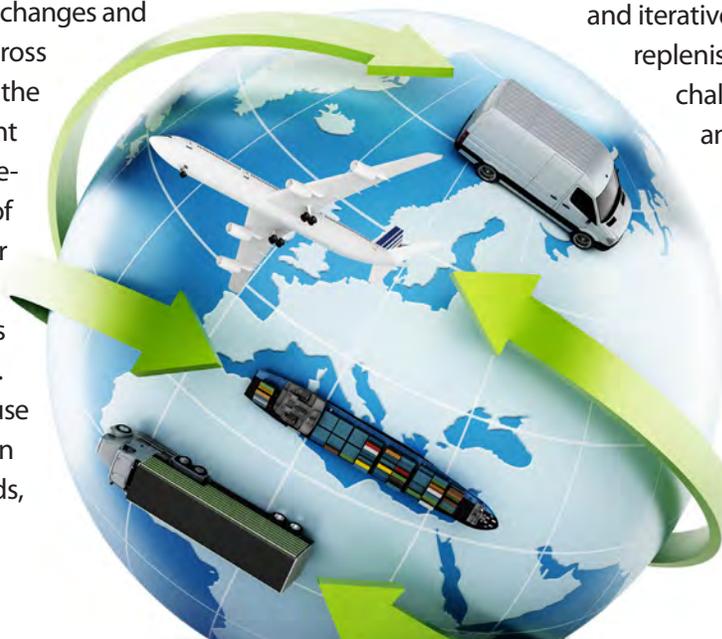
Has your organization implemented or undertaken a major upgrade of the below supply chain management systems within the past five years?



“Within the suite we have a number of optimization engines that traditionally would have functioned within silos, but we bring these together to enable better incremental decision-making,” Brasca says. “For example, the fulfillment engine is making distribution decisions for the network and the warehouse management system is dealing with issues such as capacity and cube optimization. The fulfillment plan can be augmented with downstream information such as available capacity and labor scheduling in order to make better, more profitable decisions.”

Re-optimizing for a more resilient and profitable supply chain

With enterprise-wide visibility, the Intelligent Fulfillment solution detects changes and disruptions as they occur across the supply chain, informing the planning and replenishment processes to immediately re-plan based on the new set of execution constraints. Order orchestration capabilities re-optimize fulfillment plans for profitability and service. Transportation and warehouse processes interact to re-plan pick waves, shipments, loads, and routes.



“Traditionally, if a business wanted to push promotional inventory through its network, it would make those decisions independent of whether they have the physical capacity to take the additional inventory, such as labor availability, freed up truck docks, and so forth,” says Brasca. “We want to expose downstream constraints so that organizations have the visibility to make better decisions about where to push that promotional inventory.”

The emergence of the consumer centric supply chain is forcing manufacturers and retailers alike to re-think their supply chain strategies, become more resilient and keep a watchful eye on profitability. JDA Intelligent Fulfillment is an integrated, cloud-based, best-of-breed supply chain planning and execution solution that holistically and iteratively solves inventory planning, replenishment, and order fulfillment challenges. This enables intelligent and profitable distribution decision making that reduces inventory levels and costs, improves customer service via superior product availability and faster throughput, and creates more agile, profitable, and responsive operations. For more information, visit <http://www.jda.com/solutions/intelligent-fulfillment/>.