



## Consumer Products CPFR Implementation

### Solution Snapshot



**Problem:** Facing a demand planning software implementation, managers with this Fortune 500 firm were challenged to maintain service levels for their big-box customers without sacrificing margin.

**Solution:** Leveraging their years of expertise deploying custom instances of Tier I software packages, Spinnaker supply chain specialists designed a strategic solution beyond expectations.

### Exceeding the Demands of Big-Box Retailers

With just two superstore retailers accounting for more than 70% of their annual sales, supply chain leaders with this billion dollar business unit of a brand-name hardware company couldn't risk hiring a consulting firm with just technical know-how to implement their new demand planning software. They needed a service provider with global experience and deep process expertise to design and develop a customized planning solution that would support their existing alliances with two of the world's biggest corporations. Their partner of choice: Spinnaker. Here's why...

### Collaborative Planning, Forecasting, Replenishment

As do many companies that have sales tied to big-box corporations, our client had dedicated demand forecasting teams working exclusively with merchandising personnel employed by their two largest customers.

These planners actually worked in the same cities where their clients' companies were headquartered, to enable close cooperation in their efforts to maintain supply levels on par with consumer demand.

In any business, excess supply means increased inventory, higher carrying costs, and reduced profits. But in the megastore realm, where suppliers are in a constant state

of negotiation to meet retailers' demands, insufficient supply can mean stockouts, decreased service levels, and shelf-space reductions—the big-box kiss of death.

In this case, with no central planning software in use, CPFR was a labor intensive process: planners juggled massive amounts of product data downloaded in spreadsheets from retailers and eyeballed historical sales, projecting demand based on judgmental analysis of trending and seasonality. Further compounding matters was a third set of planners who managed demand for the thousands of other distributors, retailers, and builders that accounted for the remainder of our client's annual sales.

Challenged to develop essentially three software implementations, each customized to meet the requirements of the various planning groups yet all with a unified business purpose, our consultants followed Spinnaker's people—process—technology approach to come up with an ideal solution.

Leveraging their rich hands-on expertise in both supply chain best practices and planning applications, our consultants sketched out a multifaceted plan that targeted the precise needs of our client's people for flexible, effective processes powered by best-in-class technology.

## Strategic Solutions for a Complex Problem

Though focusing only on U.S. distribution channels, this project had supply chain origins extending back to both Mexico and China. This made accurate demand planning—especially for big-box clients—even more imperative, since resolving shortages involved inherently long lead times, ranging from 45-60 days, and expedited manufacturing, with its ripple effect of production scheduling disruptions and increased setup costs.

Spinnaker's depth of experience proved a distinct advantage on this project as our lean team of seasoned professionals took the lead to sustain progress and drive consensus throughout the design development phase, despite limited client resources assigned to provide guidance, and the often conflicting business/integration requirements of the three planning groups.

For example, CPFR planning teams working with the two big retailers preferred to develop product forecasts based on item-level quantities at various distribution centers. The third planning group, in charge of all other channels, preferred to forecast at varying levels of granularity.

Just as suppliers shoulder the burden to improve performance for big-box clients, so too did Spinnaker shoulder the burden to deploy resources beyond the scope of this project—to develop, configure, and deploy effective planning solutions despite a restrictive, milestone-based time frame.

Our consultants came up with a best-of-both-worlds approach that enabled all planners to create forecasts at their preferred level of detail as well as at a higher level of detail common to all three planning units. This enabled reporting and scorecarding based on common metrics and universal key performance indicators. The outcome, which served the needs of all our client's planners, and their company, and their customers, exemplifies the value of Spinnaker's experience-based process/technology excellence.

## Global Expertise Enables World-Class Results

With their new software, demand planners gained access to a variety of powerful statistical forecasting tools to help more accurately project future demand. Based on careful analysis of historical sales patterns, our consultants configured the two algorithms best suited to target demand by product, channel, and geography. Our team designed custom solutions to support succession planning, to help better manage phase-ins/phaseouts associated with new products. They also enabled ABC categorization, to streamline product ranking/analysis and help planners prioritize workloads by focusing on products with the greatest potential financial impact.


Gaining better appreciation of underlying demand patterns enabled planners to respond more nimbly to market changes and improve forecast accuracy so much that our client was able to reduce costs by shifting production of key products to the Far East, despite longer lead times. Improvements like these helped our client gain credibility with its big-box customers and ultimately play a greater role in guiding ordering patterns.

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### About Spinnaker:

Spinnaker is a supply chain services company that helps clients grow, manage risk, reduce costs, and improve customer service by developing world-class supply chain capabilities. Our services help clients develop the right supply chain strategy for their business challenges and implement the process and technology solutions to improve Demand/Supply Planning, Procurement and Sourcing, Logistics and Warehousing, and Reverse Logistics business performance. Spinnaker offers a unique service delivery model that combines the strength of deeply experienced management and technology consultants with a seasoned team of business process outsourcing (BPO) and 3rd-party logistics (3PL) professionals. Founded in 2002, Spinnaker has offices in Boston, Columbus, Denver, Houston, Memphis, Pittsburgh, London, and Singapore.

#### Contacts Us:

 [Phone: 877-476-0576](tel:877-476-0576)

 [Email: info@spinnakermgmt.com](mailto:info@spinnakermgmt.com)