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High performance. Delivered.

Striking the balance between sophistication and simplicity:

Achieving high performance
through improved retail
supply chain planning

• Consulting • Technology • Outsourcing



"Meijer, a regional U.S. supercenter chain, partnered with Accenture to deliver our enhanced Forecasting & Replenishment initiative. Accenture's expertise in solution design and implementation helped Meijer deploy our first release in only 8 months. In addition to solution development, the Accenture team supported us with their industry process model and organization readiness tools and experiences. This holistic solution was a key success factor in achieving the speed and business goals of the release. This initial release provided immediate benefits and enabled

significant inventory reductions to occur—while still meeting our in-stock and customer service levels.

Accenture was also able to partner with us for forecast analytics services to ensure ongoing support of the solution to sustain benefits gained initially through the implementation."

Dennis Mullahy, Group Vice President,
Merchandising & Supply Chain Planning,
Meijer, Inc.

The business challenge

“Retailers have never been more challenged to meet rising local customer demands and service level expectations—\$93 billion annually in lost sales due to out of stocks.”¹

A significant portion of these lost sales—\$30 billion can be attributed to poor planning and forecasting.¹ In response to this challenge, many retailers have made and are making significant investments in advanced forecasting and replenishment planning capabilities. These emerging supply chain capabilities are a key enabler to high performance in today's competitive retail market place.

Some retailers have achieved initial benefits of improved in stocks and reduced inventory levels after investing in these capabilities. However, many of them struggle to sustain these benefits beyond the initial deployment periods. It is critical to establish sustaining capabilities that meet rising local customer demands and service level expectations.

Accenture's experience across the retail industry would suggest that a major contributor to the problem is solution complexity. Often retailers struggle to balance the sophistication of the solution design that is required for these advanced tools and concepts with the appropriate attention towards usability. Sophistication of solution design arises primarily because of the wide range of product and process variations in retail that need to be addressed, as well as the enhanced complexity of the various planning models in these tools. Solutions that address these variations range from relatively basic to more sophisticated replenishment and forecasting approaches.

Successful forecasting and replenishment planning, in other words, depends on striking the right balance between the sophistication of the solution and the simplicity of its use. It also hinges on adopting a new organizational mindset—a mindset characterized by pro-active planning as opposed to reactive tactics. It requires enhanced forecasting and replenishment skills to drive and sustain value from these solutions. To accomplish this more and more retailers are seeking help from third-party providers to tackle the turnover, talent, training and technology challenges that afflict their supply chain management functions.

¹RIS News—Fifth Annual Store Systems study, 2008



Striking the right balance

A recent Accenture analysis determined that for a set of low velocity products, their sales velocity was so low that it led to poor forecast accuracy in spite of user and system maintenance. Further analysis also confirmed that for these products that implementing simpler replenishment approaches

such as order point based min/max frees up user and system effort/time to focus on more critical higher velocity products, with no impact to service level metrics. This balanced selection of "simpler" replenishment approaches can significantly increase the effectiveness of the solution implementation and usage.

Five components to sustainable value

At Accenture, we understand what it takes to facilitate and implement the cultural transformation that will help you sustain improvement in demand planning and build high performance. The Accenture approach can help you strike the right balance between sophistication and simplicity for your organization. It addresses both retailers still contemplating the implementation of sophisticated forecasting and replenishment planning solutions and those struggling to drive/sustain value from such solutions in five key focus areas:

1. Process—design the optimal solution. Process design is usually either too simple, and fails to take adequate account of the extremely varied demand and supply patterns in retail—or too complex, and thus unwieldy and hard to manage. Because one solution will not fit all specific needs, Accenture takes a customized approach, evaluating the right replenishment strategies for different product categories at each individual retailer.

2. Tools—select and build the right solution to extract and sustain value out of a “vanilla” solution. Today’s tools cannot tackle the subtle nuances of all retail scenarios so solution enhancers or extensions are often necessary. But many retailers overly complicate these customizations and the system performance so crucial to successful implementation suffers as a result. Accenture’s design of extensions complement the tools currently on the market, and are uniquely developed for

individual retailer’s specific needs while maintaining the “vanilla” nature of the solution.

3. Organization—put the right skill sets in place. New tools require new skills. Just implementing a new solution will not yield the desired results. That’s why Accenture employs a comprehensive change management and organization strategy that supports the new forecasting and replenishment capabilities to generate sustained benefits. Accenture’s Inventory Planning and Replenishment Services offers forecasting and inventory planning, replenishment and purchase order management and the application maintenance, analytics and performance reporting required to help achieve dramatic annual savings.

4. Implementation—manage the journey. Many retailers struggle to fully understand or to manage the complexities involved in managing such

a transformational journey. By devising an appropriate implementation strategy where the relationship between process, solution and organizational change is accurately calibrated, Accenture provides a properly planned and executed approach.

5. Sustainability—create the right model. The end goal of any supply chain planning solution is sustainable value. But forecasting and replenishment processes require continual maintenance and fine-tuning. Because many retailers lack the resources or organizational skill sets to maintain and fine-tune solution parameters on an ongoing basis to match changing business factors, the quality of the solution over time can tend to deteriorate. Accenture’s approach leverages both in-house as well as outsourced skills to ensure ongoing fine-tuning of the solution to sustain value.

Why Accenture?

We have the knowledge; resources and experience to help you define, design, build and manage the sort of transformational forecasting and replenishment solution that can help develop and sustain high performance.

Accenture's track record is second to none. Our design and implementation of a forecasting and replenishment planning solution for one major North American supercenter chain has helped reduce inventory by more than \$100 million, or 10 percent, while improving in-stocks for the initial business areas that were rolled out. Additional benefits are anticipated with additional business area rollouts. Our extensive benchmarking and performance tuning exercises for this client also have dramatically improved the company's system performance to implement a highly scalable solution that is set to address more than 50 Million SKU-Store combinations.

Accenture's alliances with leading vendors in the marketplace and deep experience in implementing market solutions across various retail clients provide unmatched subject

matter expertise in packaged market applications that may be leveraged to implement forecasting and replenishment planning solutions.

The Accenture Inventory Planning and Replenishment Services (IPRS) are designed to deliver the benefits of supply chain outsourcing, without jeopardizing your ongoing connection with existing programs or day-to-day business activities.

Accenture's assets can help determine appropriate replenishment and forecasting models and parameters to match the wide variations in product demand patterns—velocity, seasonality and trend. Our forecast tuning tool kit, for example, which is an accumulation of forecasting best practices and statistical methods, has improved forecast accuracy by 20 to 30 percent for retail clients.



The benefits of Accenture's forecast tuning tool kit

Demand classification exercises that analyze retail product sales point to wide variations in product demand patterns in terms of velocity, seasonality and trend. Accurate forecasting requires each demand pattern to be matched with the appropriate forecasting model and corresponding forecast parameters. But the large volume of products that

need such tuning and the potentially large numbers of forecast-parameter combinations make this a daunting task. So Accenture has assembled a forecast tuning toolkit, which combines various forecasting best practices and statistical methods to enhance the forecasting solution and accuracy.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company. 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. With more than 181,000 people serving clients in over 120 countries, the company generated net revenues of US\$23.39 billion for the fiscal year ended Aug. 31, 2008. Its home page is www.accenture.com.

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For more information

Steven Hermann

steven.w.hermann@accenture.com

Amitabh Mudaliar

amitabh.p.mudaliar@accenture.com

