

The Responsive Supply Chain: Managing Market Events in the Consumer Goods Industry

July 2007

~ Underwritten, in Part, by ~



**Hitachi
Consulting**

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Executive Summary

The focus of this benchmark report is on the market events that impact demand. There are six key market event categories: rapid changes in customer affinity, sudden natural disasters, unforeseen contamination and disease, new product innovation, changing economic forces, and expanding international markets. These events cannot be controlled but can be effectively managed if the right processes and technologies are in place. Ninety-two percent (92%) of 145 Aberdeen Group survey respondents have indicated that they focus on market responsiveness as a key element of their supply chain processes.

The three critical assets that companies can leverage to react to market events are: **inventory, supply chain network, and product**. Some ways by which these assets can be leveraged are: adjusting inventory targets based on demand and order lead times fluctuation; having a flexible supply chain network to be able to source from internal and external sources; sensing demand changes; and adjusting forecasts based on the changes.

Best-in-Class Performance

Aberdeen used five key performance criteria to distinguish Best-in-Class companies from Industry Average and Laggard organizations. These metrics are an indicator of process level competency for leveraging the three assets outlined above:

- Frequency of out-of-stocks (qualitative improvement)
- Cash to cash cycle time (absolute value)
- Order fill rate (absolute value)
- Forecast accuracy at the product family level (absolute values)
- Time from product design to production (qualitative improvement)

Weights were assigned to the respondents based on their improvements in these metrics and an overall score was identified for each of the respondents.

Competitive Maturity Assessment

Survey results show that the firms enjoying Best-in-Class performance shared several common characteristics involving various aspects of process, reporting, data, technology, etc. Results show that Best-in-Class companies are:

- Three times more likely to be able to track and trace throughout the value chain as compared to all other companies (which include the combination of Industry Average and Laggard)
- Twice as likely to be able to make rapid product introduction decisions as compared to all other companies

Enterprise Quote

“Our business depends a lot on market events like weather, drought, etc. When we have bumper crops, we must manage the sales through the year to utilize the crop and come out with a reasonable size of inventory. Conversely, when we have small crop, we manage with a crop availability that might not necessarily meet all our sales demand.”

- Director of Supply Chain at a SunSweet Growers (a mid size food/beverage grower)

- Twice as likely to manage inventory targets based on demand and order lead time fluctuation

Required Actions

In addition to the specific recommendations in Chapter 3 of this report, to achieve Best-in-Class performance, companies must do the following:

- Ensure that a process owner for Sales and Operations Planning (S&OP) is identified and that the key stakeholders who report up to the process owner are identified.
- Invest in a supply chain planning and execution tool that has the capabilities for making trade-off decisions to change the supply network (e.g. supplier changes, in/out sourcing).
- Invest in an inventory optimization solution preferably with multi-echelon capabilities to be able to manage inventory targets based on demand and order lead time fluctuation.
- Include causal events (weather, natural disasters, competitor actions, etc.) into the demand forecast to proactively plan for market events and ensure that the right infrastructure is in place to address the negative effects of these events.

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Chapter One: Benchmarking the Best-in-Class

Research Background

Aberdeen research has found that 50% of consumer industry companies report that it takes more than one month to sense changes in demand. This is unacceptable in today's dynamic business environment.

Demand fluctuations can result from any number of market events. Market events can be defined as uncontrolled incidents (such as weather) as opposed to artificial events (like promotions) that stimulate demand. There are six key market event categories: rapid changes in customer affinity, sudden natural disasters, unforeseen contamination and disease, new product innovation, changing economic forces, and expanding international markets. Recent Aberdeen Group research has found that **92% of 145 survey respondents indicated that they focus on market responsiveness as a key element of their supply chain processes.**

The three critical assets that companies can leverage to respond to market events are:

- **Inventory:** 62% of respondents indicate that they leverage inventory as a key asset. For example, they adjust inventory targets based on demand and order lead time fluctuation, and/or they have the ability to track inventory from the consumer to source in the event of contamination and recall.
- **Supply chain network:** 71% of respondents indicate that they leverage supply chain network as a key asset. For example, they have a flexible supply chain network to be able to source from internal and external sources, and/or they have the right mix of common carrier and dedicated fleet.
- **Products:** 44% of respondents indicate that they leverage their products as a key asset. For example, they have the ability to introduce new products and phase out old products based on changes in customer brand affiliations.

Aberdeen will benchmark what Best-in-Class companies are doing with respect to these three assets.

Best-in-Class With Respect to Managing Market Events

In order to determine what approaches are the most effective, Aberdeen benchmarked 145 respondents from the consumer industries. The capabilities and strategies these companies deploy to leverage the three key assets listed above were then explored. Those companies that best demonstrated the ability to meet the challenge of responding to uncontrolled market events were identified as the Best-in-Class. A detailed demographic report of the respondents can be found in Appendix A.

Fast Facts

Top assets for managing market events:

- ✓ **62%** of respondents indicate that they leverage **inventory**
- ✓ **71%** of respondents indicate that they leverage their **supply chain network**
- ✓ **44%** of respondents indicate that they leverage their **ability to create and implement new products**

Maturity Class Framework

Aberdeen used five key performance criteria to distinguish Best-in-Class companies from Industry Average and Laggard organizations. These five metrics are an indicator of the process level competency for leveraging the three assets outlined earlier, namely: inventory, supply chain network, and the ability to implement and create new products:

- Frequency of out-of-stocks (qualitative improvement)
- Cash to cash cycle times (absolute values)
- Order fill rate (absolute values)
- Forecast accuracy at the product family level (absolute values)
- Time from product design to production (qualitative improvement)

Weights were assigned to the respondents based on their improvements in these metrics and an overall score was identified for each of the respondents.

Table I: Companies with Top Performance Earn Best-in-Class Status

Definition of Maturity Class	Mean Class Performance
<p>Best-in-Class: Top 20% of aggregate performance scorers</p>	<ul style="list-style-type: none"> • % of respondents in category who have gained improvement in frequency of out of stocks within last 2 years: 76% • Customer service levels: 94% • Company average cash conversion cycle: 22 days • Average forecast accuracy at the product family level: 79% • % of respondents in category who have gained improvement in time from product design to production within last 2 years: 81%
<p>Industry Average: Middle 50% of aggregate performance scorers</p>	<ul style="list-style-type: none"> • % of respondents in category who have gained improvement in frequency of out of stocks within last 2 years: 60% • Customer service levels: 82% • Company average cash conversion cycle: 38 days • Average forecast accuracy at the product family level: 57% • % of respondents in category who have gained improvement in time from product design to production within last 2 years: 51%
<p>Laggard: Bottom 30% of aggregate performance scorers</p>	<ul style="list-style-type: none"> • % of respondents in category who have gained improvement in frequency of out of stocks within last 2 years: 12% • Customer service levels: 77% • Company average cash conversion cycle: 71 days • Average forecast accuracy at the product family level: 45% • % of respondents in category who have gained improvement in time from product design to production within last 2 years: 19%

Source: Aberdeen Group, July 2007

Best-in-Class PACE Model

Based on the input of the respondents, the following is the Best-in-Class PACE framework (Table 2).

Table 2: Best-in-Class PACE Framework

Pressures	Actions	Capabilities	Enablers
<ul style="list-style-type: none"> • Dynamic Consumer Demand 	<ul style="list-style-type: none"> • Inventory management strategy – the ability to effectively position and execute inventory based on demand and market changes • Supply Network Management strategy – the ability to design supply chain networks to be more flexible to market changes 	<ul style="list-style-type: none"> • Ability to manage inventory targets based on demand and order lead times fluctuation • Ability to make trade-off decisions to change the supply network (e.g. supplier changes, in/out sourcing) • Process ownership from a senior executive for the S&OP plan • Cross functional product development team capability - marketing, sales, engineering etc 	<ul style="list-style-type: none"> • POS Replenishment Systems • Predictive and Simulation • Inventory Optimization • Demand Signal Repository

Source: Aberdeen Group, July 2007

The top two overall market pressures driving an increased focus on managing market events across the performance framework are:

- Dynamic consumer demand and volatile marketplace (54%)
- Global supply chains requiring greater demand visibility and longer planning horizon (34%)

The top strategic actions that are being deployed to managing these drivers were reported as:

- Design the supply chain network to be more flexible to market changes (49%)
- Ability to effectively position inventory based on demand and market changes (33%)

Where the Best-in-Class differ from other companies are the capabilities that they have in place to effectively implement these solutions. These companies have in place established processes and technologies for being able to make short, mid-term, and long-term adjustments to inventory. These companies are able to increase or decrease their processing capacity on demand and are able to identify alternate supply routes.

Aberdeen Insights – Lean Versus Agility

Sixty-seven percent (67%) of survey respondents indicated that they have adopted an agile approach to manage market events, while only 37% indicate they are adopting a lean philosophy. This is an encouraging trend.

Aberdeen Insights – Lean Versus Agility

Lean initiatives are often narrowly defined based on a market snapshot rather than an understanding that market conditions continuously change, and market events can occur that can disrupt existing plans. These initiatives result in excessive trimming to take out inventories from the entire supply chain, which make it difficult to react quickly to market events. This can have a number of negative consequences, including:

- Loss of customers who turn to more responsive competitors
- Margin compression due to marking down of obsolete products
- Lack of focus on strategic imperatives as managers perform ad-hoc firefighting and expediting procedures
- Ultimate loss of shareholder value

Chapter Two:

Benchmarking Requirements for Success

Attaining Best-in-Class status with respect to managing market events effectively is not easy accomplished – it requires a combination of process improvements, people, and organizational alignment with a technology backbone that is simultaneously simple as well as scaleable.

Case Study: Leveraging Supply Chain Network to Manage Market Events

Company: One of the world's largest global packaging companies based in Australia with manufacturing sites in 40 countries employing over 30,000 people. The focus of this case study is on one of the company's business units in North America.

Challenge: The freight journeys for the products take several days and are influenced by sudden and unexpected variables caused by weather, such as track maintenance or even derailment or closure. Even small delays can cause serious damage to profitability.

Solution: The company implemented an inventory management solution that provides dynamic replenishment recommendations based on a real-time view of inventory on site, at remote holding locations, in transit from suppliers, and on order. The solution monitors the location of raw material via real time and triggers the materials personnel to take corrective action on a real time basis. This system allows the company to keep their inventories within a min/max range, while providing centralized visibility of our raw material supply.

Results:

- The company has seen a decline in raw material working capital that was once tied up in inventory
- The company has reduced cycle and lead times built into the planning schedule based on a more realistic evaluation of the formerly agreed lead times
- The company has reduced back-up transport costs
- The company has improved service levels, leading to better supplier relationships

Fast Facts

- ✓ Best in Class companies are 3X times more likely to be able to track and trace throughout the value chain as compared to all other companies
- ✓ Best in Class companies are 2X times more likely to be able to rapid product introduction decisions as compared to all other companies
- ✓ Best in Class companies are 2X times more able to manage inventory targets based on demand and order lead times fluctuation
- ✓ Best in Class companies are 1.6X times more likely to have a cross-functional S&OP team
- ✓ Best in Class companies are 1.4X times more likely to be have a cross-functional product development team capability

Competitive Assessment

The aggregated performance of surveyed companies determined whether they ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each class also shared characteristics in four key categories: (1) process (the processes that are set up for managing market events); (2) organization (organization setup and collaboration for managing market events); (3) performance measurement (the ability of the organization to measure the benefits of technology deployment and use the results to manage market events further); (4) technology (selection of appropriate tools and intelligent deployment of those tools). These characteristics (identified in Table 3) serve as a guideline for best practices and correlate directly with Best-in-Class performance across the key metrics.

Table 3: Competitive Framework

	Laggards	Average	Best-in-Class
Process	Ability to include promotions and other causal events (e.g. weather, natural disasters, competitor actions etc.) into demand forecasts		
	19%	27%	33%
	Ability to reduce the time from demand sensing to taking action through effective S&OP		
	28%	38%	43%
	Ability to make trade-off decisions to change the supply network (e.g. supplier changes, in/out sourcing)		
	28%	54%	62%
	Ability to manage inventory targets based on demand and order lead time fluctuation		
	38%	45%	71%
Organization	Ability to make rapid product introduction decisions		
	21%	33%	43%
	Cross-functional S&OP team with participants from sales, finance, engineering, procurement, processing, warehouse, and transportation		
	34%	48%	52%
	Process ownership from a senior executive for the S&OP plan		
	39%	49%	76%
	Continuous improvement teams in the shop floor		
	43%	38%	62%
Performance	Cross functional product development team capability - marketing, sales, engineering, etc.		
	50%	63%	71%
	Collaborative participation of customers in the product design process		
	38%	44%	43%
	<ul style="list-style-type: none"> • POS replenishment systems – 14% • Predictive analytics and simulation – 10% • Demand signal repository – 18% • Supply chain network design – 17% 	<ul style="list-style-type: none"> • POS replenishment systems – 31% • Predictive analytics and simulation – 26% • Demand signal repository – 19% • Supply chain network design – 33% 	<ul style="list-style-type: none"> • POS replenishment systems – 48% • Predictive analytics and simulation – 29% • Demand signal repository – 38% • Supply chain network design – 43%
	Total landed cost based sourcing decisions		
	35%	37%	54%
	Product category level margin analysis while introducing new products		
31%	37%	43%	
Ability to measure cost to serve			
7%	19%	38%	

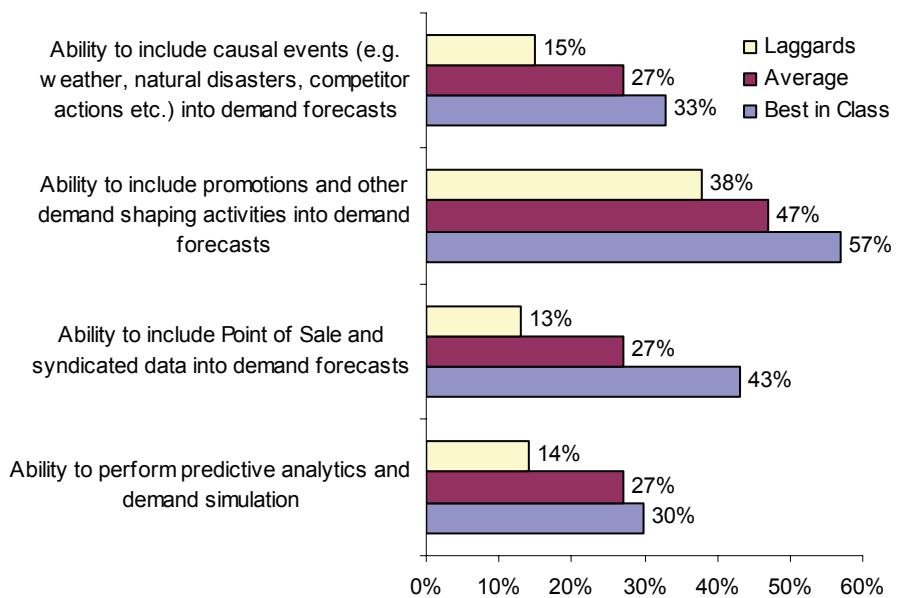
Source: Aberdeen Group, July 2007

Demand Management Process Characteristics

Best-in-Class companies have the processes in place to handle every dimension of demand management associated with managing market events. Specifically, they are able to better manage promotions and demand shaping activities as compared to Industry Average and Laggard performers. Best-in-Class companies show a holistic advantage across all the demand management categories.

In contrast, among Laggard organizations, the ability to integrate promotions and other demand shaping activities into demand forecasts shows the highest number of respondents (38%). Among these companies, the ability to include POS and syndicated data into demand forecasts further has the lowest number of respondents (13%). While Laggards are focusing on managing artificial events like promotions, they are neglecting forward looking events, such as causal factors, point of sales analytics, and simulation. Causal forecasting is inherently more difficult to perform. Many companies still lack the capabilities and resources necessary to understand casual forecasting.

Figure 1: Demand Management Process Characteristics



Source: Aberdeen Group, July 2007

Inventory and Supply Network Management Process Characteristics

Best-in-Class companies demonstrate significant differentiation with respect to their ability to manage their inventory and their supply chain network (Figure 2).

Food Service Fast Facts

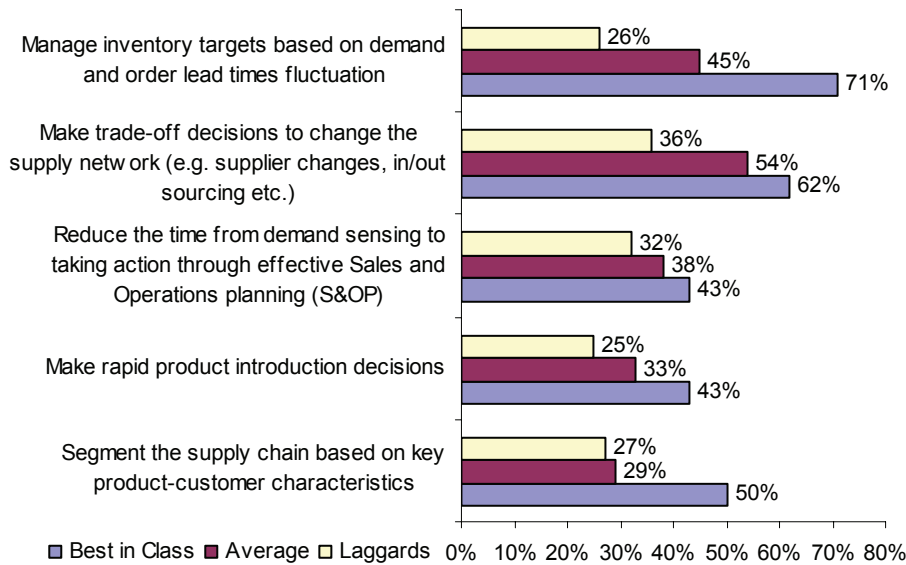
- ✓ 91% of respondents from the food/beverage sector are leveraging supply chain network for responding to market events
- ✓ 77% of respondents from the food/beverage sector do not have end-to-end track and trace capabilities for handling recalls
- ✓ 62% of respondents from the food/beverage sector do not have the capability to make total landed cost based decisions

Enterprise Quote

“Demand forecasting is extremely important to Constellation Wines U.S since there is a long cycle for producing wine. The grapes have to be grown, with some plantings taking four years to bear fruit. Our wineries need accurate forecast to perform bottling runs and both short and long-term forecasting.”

- Manager, Demand Process,
Constellation Wines US

Figure 2: Inventory and Supply Network Management Process Characteristics



Source: Aberdeen Group, July 2007

Enterprise Quote

“The software that we use for forecasting has in-built capability to consider causal events. However, we don’t use it due to the lack of experience in using it and the lack of the data that the module requires.”

- Manager at a large consumer electronics company

Best-in-Class companies are:

- Twice as likely as all other performers to be able to manage inventory targets based on demand and order lead times fluctuation
- 1.5 times more likely than all other companies to be able to segment the supply chain based on key product-customer characteristics.

The Best-in-Class are optimizing their investment in inventory, production, procurement, and distribution assets. As a result, these leaders are able to analyze their inventory network (as well as policies), add inventory where there are opportunities for winning additional market share, and reduce inventory where it is not needed. Moreover, they are able to do this and respond rapidly when uncontrolled market events occur.

Case Study:

Leveraging Inventory and Supply Chain Network to Manage Market Events

Company: Pernod S.A is a manufacturer and distributor of wine and spirits headquartered in Paris, France.

Challenge: Pernod has four manufacturing plants to accommodate the global demand for Pernod brands. Each plant is dedicated to a specific range of products, with no opportunity for flexible sourcing, so accurate production planning that considers seasonal demand peaks is important.

The production constraints that impact planning are similar to those found in most food and beverage plants worldwide. The following constraints are a reflection of events that can occur in the marketplace:

- Alternate routes for specific products, with route preferences by item
- Labor availability

Case Study:
Leveraging Inventory and Supply Chain Network to Manage Market Events

- Minimum economic batch quantities
- Sourcing restrictions

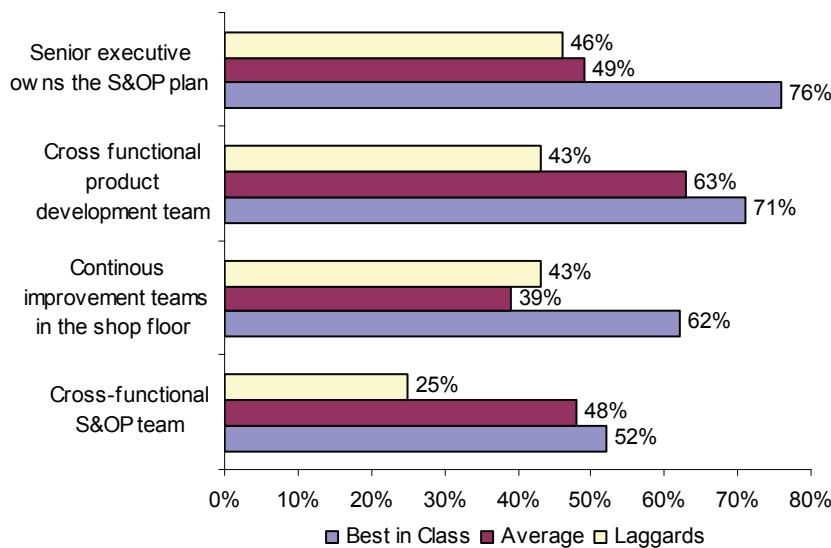
Solution: Pernod implemented a best of breed APS suite for demand, inventory, and replenishment planning. In addition, they implemented a manufacturing planning solution for capacity planning (at the product family level – to facilitate constrained S&OP) and also for scheduling (at the SKU level). This resulted in a solution that can manage the above constraints.

Results: The company has seen reduction in finished goods inventories by 60% (10 Million Euro) while improving customer service to 99.5%.

Organizational Capabilities

Best-in-Class companies are showing significant differentiation with respect to their organizational capabilities.

Figure 3: Organizational Capabilities



Source: Aberdeen Group, July 2007

Best-in-Class companies are 1.5 times more likely than all other companies to have a process owner for the S&OP plan. This implies a strong process capability to not only develop the S&OP plan but also to execute it. This ensures that market events that occur while the S&OP plan is being generated are given adequate consideration and its impact is being analyzed within the S&OP process.

Best-in-Class companies are 1.5 times as likely as all other companies to have continuous improvement teams on the shop floor. Market events manifest themselves on the production shop floor in terms of outages, recalls, and disasters. This implies a strong end-to-end focus on managing market events from the shop floor to the top floor.

Enterprise Quote

“The biggest area of improvement for traceability in the food supply chain is at the handoff between the grower and the packager. When we receive the ingredients from the packager we receive a lot code for that packager but we don’t know which growers the packager has purchased from.”

- The Vice President of Quality Assurance at a mid-size food seasoning manufacturer

Performance Characteristics for Managing Market Events

One of the critical enablers for managing market events is the ability to measure the critical metrics associated like product margin erosion, cost to serve, and total landed cost. When uncontrolled market events arise, unless there are automated and repeatable processes to measure metrics, it becomes difficult to measure the impact of the ad-hoc firefighting that occurs to mitigate the impact of the events. Best-in-Class companies are 1 to 1.5 times more likely to measure the key metrics as compared to all other companies.

Aberdeen Insights – Product Track and Trace

Food and beverage, chemical, and pharmaceuticals manufacturers and distributors face intensifying regulatory demands for product and ingredient traceability. Avian flu, drug recalls, food contamination, and E-coli scares are turning lot-level end-to-end supply chain traceability from a futuristic dream into a business necessity.

Traceability is becoming increasingly important to protect brand equity and reduce the cost of recalls, root out gray market and counterfeit product, decrease product spoilage, and improve consumer safety.

Many companies have internal traceability capabilities (albeit often highly manual processes) and one-up/one-down visibility to product flow.

In fact, traceability is the second-most implemented technology reported by participants, with 48% of companies report making product/batch traceability technology investments. However, only 16% of companies indicate that they have an end-end data and process visibility across their supply chains.

Chapter Three: Required Actions

Whether a company is trying to move its performance in managing market events from “Laggard” to “Industry Average,” or “Industry Average” to “Best-in-Class,” the following actions will help spur the necessary performance improvements:

Laggard Steps to Success

- *Ensure that a process owner is identified and the key stakeholders who report up to the process owner are identified.* Seventy-six percent (76%) of Best-in-Class companies have a process owner in charge of their S&OP process as compared to 46% of Laggard companies.
- *Invest in POS forecasting and replenishment management capabilities.* Forty-three percent (43%) of Best-in-Class companies have the ability to include POS and syndicated data into demand forecasts as compared to 13% of Laggard companies.
- *Invest in a supply chain planning and execution capabilities* (for e.g., supply chain network design and distributed order management solution). Sixty-two percent (62%) of Best-in-Class companies have the ability to make trade-off decisions to change the supply network (e.g. supplier changes, in/out sourcing) versus 36% of Laggard companies.

Industry Average Steps to Success

- *Invest in inventory optimization capabilities.* Seventy-one percent (71%) of Best-in-Class companies have the ability to manage inventory targets based on demand and order lead time fluctuation as compared to 45% of Average companies.
- *Develop customer level forecasting capabilities* to enable the prioritization of customers and product segments so that when market events occur, high priority segments can be addressed first. Fifty percent (50%) of Best-in-Class companies have the ability to segment the supply chain based on key product-customer characteristics as compared to 29% of Average Companies.
- *Recognize the need for end-to-end supply chain traceability and flexibility* to manage market events and ensure that the shop floor processes are continuously monitored and improved. Sixty-two percent (62%) of Best-in-Class companies have continuous improvement teams in the shop floor as compared to 41% of Average companies

Best-in-Class Steps to Success

- Seventy percent (70%) of Best-in-Class companies lack *predictive analytics* and *demand simulation* capabilities. These companies are unable to model risk downside scenarios dealing with spikes in customer demand. These

Fast Facts

- √ Only 33% of Best-in-Class companies have the ability to include causal events into their demand forecasts
- √ 71% of Best-in-Class companies have the ability to manage inventory targets based on demand and order lead times fluctuations
- √ 71% of Best-in-Class companies have cross functional product development team capability with inputs from marketing, sales, engineering , etc.

companies need to invest in this capability for better management of market demands.

- Fifty-seven percent (57%) of Best-in-Class companies are *unable to make rapid product introduction decisions*. This hampers their ability to deal with product obsolescence scenarios in being able to phase out old products and phase in new products.
- Only 33% of Best-in-Class companies are able to *include causal events* (e.g. weather, natural disasters, competitor actions etc) *in demand forecasts*. This is an extremely important capability to have in order to be able to proactively plan for market events and ensure that the right infrastructure is in place to address the negative effects of these events.

Aberdeen Insights – Key Takeaways

92% of companies indicate that they are focusing on at least one of the following key assets: inventory, supply chain network, and product.

To improve responsiveness to market events, Best-in-Class companies are focusing on holistic approaches by leveraging their key assets like inventory, product, and supply chain networks. They do not focus on piece-meal approaches, and thus are able to:

- Adjust inventory policies rapidly in response to demand spikes, product recalls and contamination issues
- Swiftly shift to alternate supply chain networks when faced with regional disasters, logistics costs increases, and other supply network related issues
- Rapidly implement product changes and introduce new products when faced with customer affinity changes

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Appendix A: Research Methodology

Between June and July 2007, Aberdeen Group examined the use of processes and technologies used for managing market events that leverage supply chain assets. Over 140 companies participated in this survey.

Responding executives completed an online survey that included questions designed to determine the following:

- What are the key drivers for companies to focus on managing market events?
- What are the strategic actions that companies are taking with respect to managing those key drivers?
- What are the process capabilities that Best-in-Class companies have invested in?
- What are the process, technology, organization, and data related maturity levels of the Best-in-Class companies?

Aberdeen supplemented this online survey effort with telephone interviews with select survey respondents, gathering additional information on their strategies, experiences, and results.

The study aimed to identify emerging best practices for market responsiveness in different industries and to provide a framework by which readers could assess their own management capabilities.

Responding enterprises included the following:

- **Functional area:** The research sample included respondents with the following functional areas of responsibility: finance (6%); information technology (14%); logistics/supply chain (43%); manufacturing (4%); sales (5%); marketing (4%); procurement (12%); Business Process Management (8%); others (6%)
- **Role in Organization:** The research sample included respondents with the following roles: Senior management (including CEO, COO, President), CIO, CFO (14%); Vice President (12%); Director (25%); Manager (25%); Staff/Consultant (22%)
- **Industry:** The research sample included respondents exclusively from different industry segments:
 - Apparel/Footwear/Accessories (11%)
 - Consumer durable goods (16%)
 - Consumer electronics (11%)
 - CPG (23%)
 - Food/Beverage (13%)
 - Other related industries (45%)

- **Geography:** The majority of respondents were from North America (55%). Remaining respondents were from Europe (15%), Asia and Middle East (10%), and Central America (20%).
- **Company size:** About 40% of respondents were from large enterprises (annual revenues above US\$1 billion); 35% were from mid-size enterprises (annual revenues between \$50 million and \$1 billion); and 25% of respondents were from small businesses (annual revenues of \$50 million or less).

Please note that the respondents were asked to select all the choices that apply.

Solution providers recognized as sponsors of this report were solicited after the fact and had no substantive influence on the direction of the “*The Responsive Supply Chain: Managing Market Events in the Consumer Goods Industry*” Benchmark Report. Their sponsorship has made it possible for Aberdeen Group to make these findings available to readers at no charge.

Table 4: The PACE Framework

PACE Key
<p>Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows:</p> <p>Pressures — external forces that impact an organization’s market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive)</p> <p>Actions — the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product/service strategy, target markets, financial strategy, go-to-market, and sales strategy)</p> <p>Capabilities — the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products/services, ecosystem partners, financing)</p> <p>Enablers — the key functionality of technology solutions required to support the organization’s enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)</p>

Source: Aberdeen Group, July 2007

Table 5: The Maturity Framework

Maturity Framework Key
<p>The Aberdeen Maturity Framework defines enterprises as falling into one of the following three levels of practices and performance:</p> <p>Best-in-Class (20%) — Market event practices that are the best currently being employed and significantly superior to the industry norm, and result in the top industry performance.</p> <p>Industry norm (50%) — Market event practices that represent the average or norm, and result in average industry performance.</p> <p>Laggards (30%) — Market event practices that are significantly behind the average of the industry, and result in below average performance</p> <p>In the following categories:</p> <p>Process — What is the scope of process standardization? What is the efficiency and effectiveness of this process?</p> <p>Organization — How is your company currently organized to manage and optimize this particular process?</p> <p>Knowledge — What visibility do you have into key data and intelligence required to manage this process?</p> <p>Technology — What level of automation have you used to support this process? How is this automation integrated and aligned?</p> <p>Performance — What do you measure? How frequently? What's your actual performance?</p>

Source: Aberdeen Group, July 2007

Table 6: The Relationship Between PACE and the Competitive Framework

PACE and the Competitive Framework – How They Interact
<p>Aberdeen research indicates that companies that identify the most impactful pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute.</p>

Source: Aberdeen Group, July 2007

Appendix B: Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report includes:

- [The On-Demand Tipping Point in Supply Chain Report](#) (March 2006)
- [The Lean Benchmark Report: Closing the Reality Gap](#) (March 2006)
- [Global Supply Chain Benchmark Report](#) (June 2006)
- [Technology Strategies for Integrated Business Planning](#) (July 2006)
- [Technology Strategies for Inventory Management](#) (September 2006)
- [The Transportation Management Benchmark Report](#) (September 2006)
- [The Supply Chain Visibility Roadmap](#) (November 2006)
- [The Extended Warehouse Benchmark](#) (December 2006)
- [Demand Management in Consumer Industries](#) (December 2006)
- [Globalization: The Turning Point for Packaged Supply Chain Software in Automotive, Aerospace and Defense Industries](#) (January 2007)
- [The Supply Chain Innovators Technology Footprint 2007](#) (April 2007)
- [Supply Chain Cost-Cutting Strategies: How Top Process Industry Performers Take Radically Different Actions](#) (March 2007)
- [Driving Sales and Top Line Revenue Requirements through Executive S&OP](#) (April 2007)

Information on these and other Aberdeen publications can be found at www.aberdeen.com.

Author(s): Nari Viswanathan, Research Director, Supply Chain and Logistics, Aberdeen Group (nari.viswanathan@aberdeen.com)
Jeanette Keene, Research Associate, Retail, Aberdeen Group

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470 East Paces Ferry Road, Atlanta, GA 30305

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