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Oracle's JD Edwards EnterpriseOne

Resolving Business Issues in the Consumer Packaged Goods Industry

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Executive Overview

Consumer packaged goods (CPG) companies face a wide range of issues that make achieving greater revenues, profits and growth, in an ever more competitive environment, harder and harder.

This white paper lists the essential system features required by Consumer Packaged Goods (CPG) enterprises ranging from product development through demand management to the efficient distribution of stock.

Achieve optimal customer satisfaction, maximize margins and meet growth targets using an Oracle solution footprint supported by Oracle middleware and database.

Introduction

CPG issues include:

Retail consolidation has provided large customers with much more sway when negotiating the terms of business.

- Consumers are gaining more and more empowerment obliging CPG companies to comply with ever shifting demands and tastes.

- CPG companies are experiencing greater cost pressures through
    - The need to manage complex logistic networks
    - Higher inventory levels (while retail inventory levels fall)
    - Rising operational / manufacturing / and compliance cost
    - Equipment failure / production downtime and
    - Decreasing order cycle times leading to higher distribution costs
- Globalization combined with a fluctuating currency values often make it harder for local manufacturers to compete with imported products

- Product lifecycles continue to shorten making ongoing innovation and product development crucial
- Continuing growth in private labels is taking more and more market share
- Required promotional spend in order to maintain volumes as well as 'acquiring' customers continues to grow

Perishable products such as meat, fruit and vegetables are presented with even more issues such as:

- Managing shelf life
- Matching 'push' supply with 'pull' demand
- Minimizing the volume of by-products arising from the production process
- Minimizing inventory that traditionally has a high carrying cost
- Managing different timings, quality and cost associated with incoming material / stock

Oracle is unique in the marketplace with its ability to deploy a range of solutions, which revolve around the JD Edwards ERP solution, in order to address these requirements. The resulting fully integrated solution footprint offers capabilities including:

Warehousing / Stock Management	Fulfillment / Distribution Management
Manufacturing	Apparel Management (also known as Attribute Management)
Agribusiness Management	Blend Management
Electronic Commerce	Sales Force Automation
Customer Relationship Management	Business Intelligence
Content Management	Supply Chain Collaboration
Supply Chain Optimization	Trade Promotion Management
Product lifecycle Management	Asset Life Cycle Management
Environmental Accounting and Reporting	Collaborative Demand Management
Reporting and Analytics	Mobile Applications and iPad Support for portable ERP

Oracle is able to provide a number of solutions that, apart from offering a requisite level of functionality, are also based on open standards to enable robust and cost effective integration with point solutions designed to meet specific business needs.

This whitepaper provides an outline of how these capabilities can be deployed, using the Oracle suite of products, to directly address the major pain points shared by CPG companies.

JD Edwards EnterpriseOne - Resolving Business Issues

Oracle JD Edwards EnterpriseOne is specifically suited to help CPG organizations meet their unique challenges and achieve superior business results. The following information addresses many of the key business challenges and drivers you face every day, and discusses how JD Edwards can be leveraged to maximize operations, insights and profits, to reduce risk and support improving compliance.

Reduced Margins / Low Growth

CPG companies are constantly having their margins squeezed as new competitors enter the market and customers become increasingly empowered. The market is congested making the ability to grow volumes much more difficult, especially as products become more and more commoditized.

Increasing costs are also an ever present issue putting further pressure on the CPG corporations' bottom line.

Consumers are now looking for low prices and bargains as their main buying criterion. This has forced CPG companies to find more and more cost savings. This has been mainly by way of more efficient manufacturing and supply chain processes but enterprises are also increasingly looking at ways to offset increasing raw material costs in their product designs.

Oracle JD Edwards EnterpriseOne

In Oracle's JD Edwards EnterpriseOne, you will find the core ERP applications needed to encompass 'must have' capabilities to enable corporations to compete successfully within the CPG market segment. The ERP applications deliver the robust base capabilities and act as the backbone for the total solution footprint upon which extended functionality can be based, providing a real and significant competitive advantage.

For enterprises in the CPG industry segment, Oracle offers JD Edwards EnterpriseOne as the product that best fits these requirements.

JD Edwards EnterpriseOne offers a number of capabilities that help ease pressures on margins.

Supplier Collaboration and Supplier Contracts

Supplier Contracts help drive down the costs of raw materials by leveraging purchasing volumes. Supplier collaboration, including the ability to produce supplier schedules from requirements planning, helps suppliers attain efficiencies in their production / distribution processes thereby reducing their cost of supply. Self Service and electronic messaging further reduces cost.

Engineering Change Management

Engineering Change Management provides rigor to product formulation development thereby assisting in driving down the cost of product ingredients.

Operational Sourcing

Operational Sourcing provides the ability to evaluate supplier tenders based on qualitative criteria as well as cost. This opens up new ways of reducing overall cost of supply.

For example, cost savings based on vendor managed inventory, guaranteed service levels, etc., may become viable.

Advanced Cost Accounting, Standard Costing and Advanced Pricing

Advanced Cost Accounting, Standard Costing and Advanced Pricing combined, provide greater granularity in cost / margin monitoring. Advanced Pricing also allows for more efficient and targeted pricing strategies to minimize margin leakage arising from special offers and promotions.

Configurability and flexibility inherent in JD Edwards allows for the simplification of processes in order to eliminate margin-dilutive complexity.

Oracle Product Lifecycle Management (PLM)

PLM enables companies to shorten cycle times, increase sales, lower costs and reduce risks associated with innovation. It provides an integrated solution that manages all aspects of innovation, such as product and portfolio management, specification management, supplier management, formulation and bill of material (BOM) management, packaging and labeling management, compliance and quality management, and data syndication.

The distributed nature of people, processes and data involved in innovation makes it a very challenging process. It results in innovation team members often using islands of information, disconnected systems and manual approval processes, leading to poor cross-functional coordination and rendering the product development process ineffective and without visibility into other innovation projects, past and present. The solution to this challenge is to implement an integrated and collaborative innovation framework, resulting in faster product and packaging development cycles, higher sales and margins, lower costs, higher quality, and more compliant products.

Greater competition has had a twofold effect on CPG companies, a squeeze on retail prices and reduced scope for growth in a congested market. This has a direct impact on a company's ability to maintain their margins. The ability to drive cost savings down to the point of product development is therefore vital. In relation to growth, the ability to keep bringing new and innovative products to the

market is often the only way to expand market share.

Formulation Management and Bills of Material

Formulation Management and Bills of Material Management enables revenue increase and margin improvements due to shorter innovation cycle times and higher innovation success rates. COGS (cost of goods and services) reduction due to ingredient rationalization, sourcing improvements, supplier collaboration and a decrease of rework/recalls can also be achieved.

On the revenue side, PLM can:
- Maximize the number of product launches
- Better meet emerging customer needs
- Obtain premium pricing and maximize customer repurchasing through innovation and quality

Increased Logistic Costs

The retailer driven trend to an increase in the number of deliveries of smaller volumes of product makes it more important to better manage transportation costs.

The factor driving this trend is that retailers are trying to more efficiently manage shelf space by employing a more 'just in time' approach to restocking without the need to employ expensive onsite storage capacity.
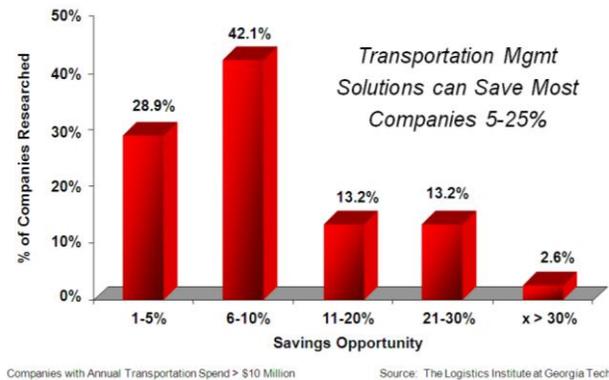
More frequent deliveries add to overall transportation expenses and fleet operating costs, particularly in relation to fuel, increasing your cost year over year.

This situation will be exacerbated in the near future via a variety of factors. One example comes from Australia where new regulation will impose a carbon tax on fuels. It is, therefore, important to not only better utilize your transportation resources but to also better track and audit billing from third party logistic suppliers.

Oracle provides tools to better plan loads and identify low cost transportation options.

Where extended capability in relation to operational planning, fleet management, co-operative routing, sourcing and forwarding and brokerage operations is required, the Oracle Transport Management solution offers functionality above and beyond that of JD Edwards EnterpriseOne.

Oracle Transport Management

Oracle Transportation Management (OTM), a global transportation and logistics operations system, allows companies to minimize cost, optimize service levels, support sustainability initiatives, and create flexible business process automation within their transportation and logistics networks.

OTM's unique single-platform design creates an information bridge across functional silos, geographic regions, languages, currencies, and business units. Carefully combining ease of use with sophisticated and broad logistics functionality, OTM supports customers with basic transportation needs as well as those with highly complex logistics requirements.

Oracle Transportation Operational Planning

CPG organizations can apply their specific business rules and logic in conjunction with powerful algorithms and optimization engines to optimize shipments based on cost, service level, and asset utilization and product ingredients.

Oracle Freight Payment, Billing and Claims

Eliminates unnecessary charges and automates the time consuming and error prone processes of freight payment, customer billing, and managing freight claims.

Oracle Fleet Management

Enables CPG companies to manage private fleet and common carrier networks on a single platform for increased asset utilization, lower transportation costs and reduced environmental impact.

Oracle Transportation Sourcing

Utilizes sophisticated optimization algorithms to model your sourcing rules and objectives to minimize costs while streamlining the sourcing process for transportation services.

Oracle Transportation Cooperative Routing:

Enables companies to strategically examine and optimise the use of third party carrier and internal fleet resources in their supply chain.

Shorter Lead Times

Retailers are consistently looking for business practices that lead to reduced cost while, at the same time, increasing product availability. This has invariably led to tighter shipping schedules that result in shorter lead times for CPG companies to procure / make the products that are required.

This necessitates more speed and responsiveness as well as the need to increase perfect order rates. In response, there is now more and more reliance on internet collaboration.

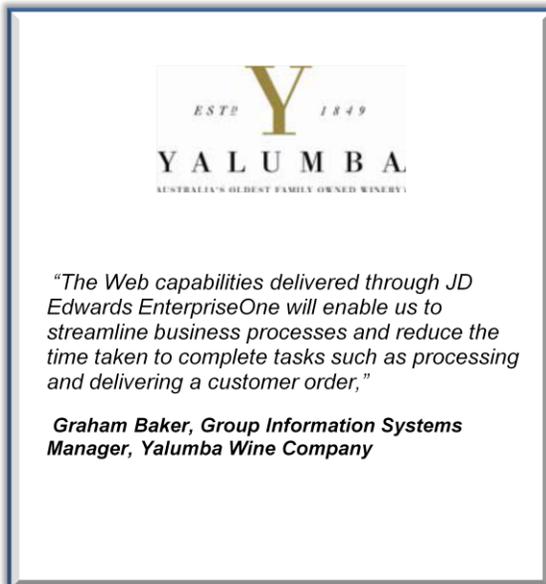## JD Edwards EnterpriseOne Enables Collaboration

JD Edwards EnterpriseOne provides a number of collaboration tools (with suppliers and customers) that increases visibility along the supply chain, allowing better planning. It also offers demand driven manufacturing techniques that allow streamlined production schedules.

Oracle JD Edwards EnterpriseOne

JD Edwards provides a number of tools designed to meet this challenge.

Buy Side Collaboration

Buy Side Collaboration tools include; collaborative supply plans, extensive inventory and supply visibility (driving available to promise) and the deployment of supplier self service portals

EST? 1849

Y A L U M B A
AUSTRALIA'S OLDEST FAMILY OWNED WINERY

"The Web capabilities delivered through JD Edwards EnterpriseOne will enable us to streamline business processes and reduce the time taken to complete tasks such as processing and delivering a customer order,"

Graham Baker, Group Information Systems Manager, Yalumba Wine Company

Sell Side Collaboration

Sell Side Collaboration capability includes the continual monitoring of individual customer demand projections, thereby more effectively anticipating overall demand in order to meet lead time requirements. Customer self service portals provide a two way flow of up-to-date information as well as the ability to directly enter sales orders, requests for quote and so on.

Apart from collaboration, Demand Flow / Lean Manufacturing provides a mechanism by which production schedules can be streamlined, to reduce lead times, using demand driven manufacturing techniques. JD Edwards also provides efficiencies via continuous and rate based manufacturing.

Data accuracy

Data accuracy also becomes ever more important as lead times are reduced and the margin for error virtually disappears. JD Edwards meets this challenge with enablement of remote handheld devices and RFID via imbedded integration.

Requirements Planning

Requirements Planning within JD Edwards provides alignment of demand side lead

time to the supply side. In order to meet demand in a timely manner it is also important to receive material / products on time and in appropriate quantities.

Shifting Customer Demands

Increased consumer sovereignty, the manner in which their tastes change and trends and fashion ebb and flow on a regular basis is undoubtedly the most vexing issue for CPG companies. Accordingly, Oracle's solution footprint offers a variety of tools to meet the challenge.

JD Edwards EnterpriseOne offers collaboration capability as well as electronic messaging to better monitor customer requirements in a more accurate and timely manner.

Product Lifecycle Management provides a basis for a better response to changes by facilitating an increased speed to market of new product offerings.

Demand Management allows you to arrive at a single number forecast by aligning all your organizations and users, enabling you to be more demand-driven.

Oracle JD Edwards EnterpriseOne

JD Edwards provides a number of tools that facilitate collaboration across the supply chain.

Collaboration offers a way of addressing an ever changing landscape of trends and demands as retailers gain more market leverage.

This can take a number of forms including a more extensive use of electronic commerce as well as the incorporation of customer supplied buying forecasts within your company's requirements planning processes. JD Edwards has capability in both respects.

"As a global developer of medical mobility equipment, we must ensure that our distributors can provide their customers with the products they need when they need them. With Oracle's JD Edwards EnterpriseOne, we gained the end-to-end visibility and agility required to achieve that goal, while improving our business relationships and streamlining operations."

*James Dorvee, Vice President, Global IT
Sunrise Medical (US) LLC*

Oracle Product Lifecycle Management (PLM)

Product Lifecycle Management has already been spoken about in relation to building cost savings into product design.

Another advantage of PLM is to quickly get new products to market so as to maximize the benefits of being at the forefront of new fashions and other consumer trends.

Enterprise-wide Visibility and Harmonization can counter many of the associated problems by facilitating an increased speed to market of new product offerings.

This effectively trades the false certainty associated with deliberate planning and forecasting processes for the flexibility to respond quickly when demand and competitive shifts actually occur; converting long product development cycles into rapid innovation and faster time-to-market.

Oracle Demand Planning

Many CPG companies are moving from traditional planning models as they become challenged by the prevailing decentralized global network model.

In doing so, they are becoming more demand driven, increasing forecast accuracy or using consensus forecasting to drive their supply chain planning processes.

Demand Management enables you to sense demand real time, improve forecast accuracy, and shape demand for profitability. The result is a demand-driven organization with higher service levels and sales, more satisfied customers, and lower inventory and distribution costs.

To respond to shifting customer demands that result in uncertain and variable demand visibility, you need to ensure that all demand signals are captured at the right level of detail and then leverage that demand, as well as the underlying correlations and factors that influence demand patterns. You also need to ensure that all key stakeholders are involved and accountable on a continuous basis. Finally, the resulting forecast should be actionable and drive all downstream planning processes.

Demand Management enables you to arrive at a single, precise consensus forecast. A consensus plan built from a more accurate forecast aligns all your organizations and users, enabling you to be more demand-driven.

Collaboration, employed to determine demand, could also include customers.

Growing Below the Line Spend

Promotions are a major part of the way CPG companies do business however industry surveys indicate that nearly two thirds of respondents perceived the value received for promotion spending to be only 'fair' to 'poor'. The vast majority felt that promotion inefficiency was a 'very important' issue.

JD Edwards incorporates promotion tracking capability as part of sales pricing and processing. This allows detailed analysis of additional sales revenue generated as a result of a promotion. It also allows for a more targeted promotion design in order to minimize margin leakage.

Oracle's Trade Promotion solution supports forecast development that identifies anticipated promotion lifts; supports less promotional spend per dollar, sales uplift and streamlines claims processing.

Oracle JD Edwards EnterpriseOne

JD EDWARDS allows CPG companies to look at trade promotions more closely in order to answer simple questions such as 'am I making any money from this promotion?'

Advanced Pricing within JD Edwards updates all sales order lines that attract promotion pricing with a promotion code. This enables a detailed analysis of additional sales revenue generated as well as the discounts, rebates, free goods, etc, used to attain it.

Advanced Pricing capability also allows for a more targeted promotion design, using a large array of customer and item classifications, in order to minimize margin leakage.

Oracle Trade Promotion Management

Faced with escalating trade spending, leading companies are rethinking their approach to trade promotion management. Most of the existing systems focus on the transactional aspects of promotions and sales incentives. As a result, they often do a good job of streamlining administration, but they do little to address key strategic issues such as promotion effectiveness on-shelf availability, category growth, and customer profitability.

Growing below the line spend is due to the increasing role of trade promotions for CPG companies. As this grows, so does the emphasis on trade promotion profitability as well as the need to monitor effectiveness of sales drivers (distribution, availability, visibility and promotions).

Oracle's Trade Promotion capabilities are provided via three modules:

- Predictive Trade Planning which allows the development of forecasts that identify anticipated promotion lifts.

- Trade Promotion Optimization which enables corporations to spend less in achieving the same promotional lift or to spend the same and increase sales.

- Deduction and Settlement Management streamlines claim processing as well as bill back transactions.

Growing Emphasis on Compliance

The introduction of carbon pricing will represent yet another item on the list of compliances that CPG companies need to manage. This list includes things like product track and trace, label integrity and a range of compliance standards that includes kosher, vegan, non-genetically modified, allergens, intolerances and additives, to name a few.

JD Edwards offers a number of tools that assist with compliance requirements including; electronic signatures, lot control, quality management, blend management, equipment maintenance and environmental accounting and reporting.

Oracle's Product Lifecycle Management solution provides the ability to trace label contents, including the ingredient statement, nutrition facts panel, and label claims, back to the supporting product data.

Oracle JD Edwards EnterpriseOne

JD Edwards offers solutions to many of many of these compliance requirements.

US Government Regulation 21 CFR Part 11

US Government Regulation 21 CFR Part 11 capabilities originated from the rigorous security requirements applied to pharmaceutical companies. It provides total audit-ability around any changes made to key data dealing with product and processes.

Lot Track and Trace

Lot Track and Trace is important to many industries and vital to corporations manufacturing and distributing food and beverages.

In the case of contaminated or faulty product it is imperative that, once the problem is identified, CPG companies are able to; trace end product back to its constituent parts / ingredients as well as tracking these inputs to other product lots.

Track and trace capability needs to identify the source of these inputs as well as the customers to which the end product has been sold.

Potency and Grade Management

Potency and Grade Management is often an integral part of lot control, particularly in relation to food and beverages.

Graded product needs to be managed in relation to both its ingredients and the processes it undergoes. This contributes to the ability to maintain margins and maximize customer service as well as ensuring customer loyalty to the brand.

Potency needs to be controlled where active ingredients drive the nature of the end product being produced.

Quality Management

Quality Management is also a component of lot control. Lots of product and/or ingredients can be subject to a set of defined quality tests. The results of these tests are held against the related lot. Lot grade and availability can also be updated based on the outcomes.

Lot Availability Management

Lot Availability Management where product and ingredients are subject to perish-ability or some other 'use-by' date, it is important that your ERP solution automatically control product availability based on effective dates.

JD Edwards can manage a variety of dates

Shelf life days	Days that an item can remain in inventory before it expires
Best before days	Days that an item can remain in inventory before it should be consumed
Sell by days	Days that an item can remain in inventory before it should be sold
Manufacturing effective days	Days that an item must remain in inventory before it is considered available for sales and manufacturing commitments
Purchasing effective days	Days after a purchased item is received that a lot becomes available
User defined lot dates	Lot date information for user defined purposes. For example; retest for quality

Label Integrity

Label Integrity becomes very important where raw materials and ingredients are blended / mixed in the making of an end product.

This particularly applies to products such wine, olive oil, spirits and fruit juices.

Moreover, it is often important to establish and maintain lot quality by tracking attributes from source of supply to the finished product.

JD Edwards helps solve this problem with its Blend Management module.

Bio-Security

What happens on the farm or paddock is of growing interest to many CPG companies.

This is partly due to concerns of accidental and intentional contamination of food supplies at their source; for example, GM product contaminating 'organic' crops. The other driver of this interest is a growing trend of food distributors taking a more vertical approach to their supply chain by controlling food supply from the 'field to the fork'.

JD Edwards is unique in the marketplace by offering a fully integrated Grower Management module that provides the basis for planning and tracking activities on the farm or paddock.

These activities may involve tasks including pruning, quality testing and the application of chemicals such as fertilizers, insecticides, herbicides, hormones and so on.

By tracking all activities, brand owners are also provided with a solution that supports repeatable and adaptive food processes / farming practices.

Accurate Asset Reporting

Accurate Asset Reporting is an important aspect of governance in so far as companies are obligated to fully document all maintenance and repairs carried out on equipment. The value of such documentation is to provide evidence that all due care has been undertaken to ensure the safe running of operational units.

JD Edwards' provides a fully integrated Equipment Maintenance module that not only holds a full maintenance and repair history, down to individual sub-assembly level, but also drives preventative and predictive maintenance activities based on duration, meter readings and condition alerts from SCADA, PLC's, etc.

Environmental Accounting and Reporting

Oracle offers an Environmental Accounting and Reporting application. It has been developed in native Oracle technology and offers, a unified solution across ERP and BI systems that are integrated to existing business processes and systems.

It delivers an improved ability to accurately model, capture, cost, analyze and report on carbon and environmental data.

Oracle Product Lifecycle Management

As already discussed, CPG companies increasingly have to meet risk and compliance requirements including those that center around label and product design.

Global Specification Management

Global Specification Management integrates packaging and labeling data with product data, allowing you to trace the label contents—including ingredient statement, nutrition facts panel, and label claims—back to the supporting product data.

It also provides the ability to maintain compliance data at each level of the specification genealogy. Compliance data includes compliance standards such as kosher, vegan, non-genetically modified,

allergens, intolerances, additives, and analytical properties (such as chemical, physical, microbiological, and sensory).

Nutrient data can be maintained at the ingredient level by leveraging the food composition library feature, which includes nutrient data loaded from the standard reference databases that you select.

Increasing Customer Acquisition Costs

Studies reveal that as much as 75% of consumers think that private brands are as good as national brands in terms of quality, guarantee of satisfaction, packaging, value and performance. This makes it tough to earn brand loyalty and requires large sums of money to do so. The fact is, though, that it is cheaper and easier to keep customers than to attract new ones.
On top of end consumers, retailers also need to be well managed especially where retailer consolidation means that a significant part of your business is done with individual customers.

Oracle JD Edwards EnterpriseOne

JD Edwards contributes to the goal of holding onto customers through a fully integrated Customer Service module by which consumer buying patterns and specific requirements can be recorded and managed. The Fulfillment Management module provides a method by which limited supply can be allocated in such a way as to maximize customer (retailer) satisfaction and avoid incurring any associated penalty payments that may be enforced by the retailer.

As already mentioned, it's becoming harder and costlier to win new markets and new customers so building brand loyalty is taking on an added significance for CPG companies.

One of the best ways to achieve this goal is to achieve superior customer service in relation to both end consumers and retailers.

JD Edwards offers a number of tools for this purpose;

Customer Relationship Management (CRM)

Customer Relationship Management (CRM) will allow corporations to better meet customer needs, quickly and efficiently address issues, design and manage more effective promotions, facilitate sales in order to maximize volume and margin, and so on.

Customer Collaboration can help 'lock in' customers by offering services that help them to reduce costs and/or enhance customer service to their customers. JD Edwards offers two collaboration tools; e-commerce and a customer self service portal.

B2B e-commerce offers more accurate and timely business communication that reduces cost for the CPG company as well as their customer. Web based Customer Self Service Portals offer customers the convenience of lodging orders directly onto the CPG Company's ERP system.

Customers can also obtain important information such as their Accounts Receivable balance, inventory availability, pricing and so on. They are also able to directly enter and maintain their purchase projections.

Fulfillment Management

Fulfillment Management addresses situations where companies cannot fulfill all of the sales orders for their products. This may be because their product supply may be less than the demand or manufacturing planning may not occur until the demand is known or there is variability in the manufacturing process.

Moreover, companies may have contractual arrangements or service levels with their customers regarding the performance around fulfillment. These rules may include line and order fill rates, number of shipments, and a cancellation policy for open orders.

The purpose of the JD Edwards Fulfillment Management module is to fulfill orders in accordance with criteria agreed upon between you and your customers.

Growth in Private Labels

Over the last few years, up to the present time, the larger retailers have turned to private brands. As mentioned earlier, the majority of consumers regard private brands as no better or worse than national brands and this has a significant impact on brand loyalty.

Many CPG companies have been forced into expensive promotional activity and/or reduced margins.

Oracle Product Lifecycle Management

Oracle's product lifecycle solution supports CPG companies in their efforts to innovate and provide a clear differentiation between their brands and generic labels, thereby keeping 'premium' prices in order to maintain margins.

Private labels have been around for many years now but recent moves by the big retailers have placed greater emphasis upon them. As this emphasis grows so too does their share of the market.

Streamlined PLM Processes

Streamlined PLM Processes allows CPG companies to become more innovative and provide a clear differentiation between their brands and generic labels.

As consumer tastes change branded product introductions can shift customer spend by being more responsive to shifting consumer needs.

Sub-Optimal Throughput and Asset Utilization

Given all the other pressures that are brought to bear on CPG companies, it is important that all operational equipment, across the entire supply chain, function at optimal performance levels in order to maximize the return on their investment.

JD Edwards offers equipment maintenance capability that spans reactive, preventative and predictive maintenance strategies. This ensures minimal operational disruption while attaining maximum throughputs / performance at the least cost.

Oracle's product lifecycle solution can help reduce capital investment by allowing product design that allows the use of existing process capability / capacity.

Oracle JD Edwards EnterpriseOne

Most CPG enterprises are reliant on some form of equipment. If the availability of that equipment cannot be guaranteed, resulting downtimes can be extremely costly as well as damaging to the CPG company's reputation.

Capital Asset Management

JD Edwards' Capital Asset Management solution provides extensive preventative and predictive maintenance capability as well as the ability to address breakdowns quickly and efficiently.

Oracle Product Lifecycle Management

Good product introduction management can help reduce capital investment by allowing the exploitation of existing process capability / capacity.

Inventory Control Issues

The CPG industry encounters a number of issues in relation to both end products and components that are uncommon or non-existent in other industries. Two key examples are; the need to manage dual units of measure (catch weight) and managing batch dates (particularly where perish-ability exists). JD Edwards provides the basis for meeting both these requirements.

CPG companies also tread a fine line between having too much and too little capital tied up in the supply chain in the form of inventory. Oracle's Demand Planning Solution improves the demand / supply balance by facilitating improved collaboration between all relevant parties.

Oracle JD Edwards EnterpriseOne

Many CPG companies, particularly those which deal or use raw product, often need to manage catch-weights.

JD Edwards provides a dual unit of measure feature by which CPG companies can track and value inventory by using two units of measure that do not have a firm conversion rate with one another. For example, each chicken in a group of chicken carcasses does not usually have exactly the same weight as all the others.

Overall, JD Edwards provides real-time, global visibility and management of inventory in order to know precisely the quantity, quality, shelf life, and exact location of any material on hand (by lot) at any given time.

"We didn't want to reduce inventory and then end up reducing service levels. In fact, our case-fill and on-time delivery levels actually went up at the same time we took several days of supply out of the system."

Mark Thome
Vice President of IT for Dairy Foods and Supply Chain
Land O'Lakes

Oracle Demand Management

Many CPG companies fluctuate between having excessive capital tied up by inventory in the supply chain and where out of stock situations are regularly occurring.

Collaborative Demand Planning

Collaborative Demand Planning can improve integration between demand and supply-side activities and help companies bring inventory levels down by 20 percent or more.

Supply chain partners can work more collaboratively on promotions planning, demand forecasting and replenishment to reduce lost sales and dissatisfied consumers.

Globalization / Changing Business Conditions

It was formerly thought that, because of transportation costs, limited shelf life and consumer preferences local CPG companies would be unaffected by globalization.

It soon became evident that this was not to be the case as offshore competitors could supply products to the local market due to their lower labor costs. On the flip side, globalization also meant that large new markets were opened up to local CPG manufacturers if cost could be reduced and/or overseas consumers could be convinced of the value of imported products.

Oracle Strategic Network Optimization

Oracle's Strategic Network Optimization solution supports the expansion into new markets by allowing CPG companies to determine optimal sourcing strategies, increase profits through asset rationalization, optimize the mix of products and/or customers to serve in constrained environments and evaluate strategies in the context of risk and net delivered cost.

More importantly, in relation to market expansion, local companies can perform 'what if' modeling to simulate new and changing business conditions both in the local market (due to overseas competition) and in overseas markets which have been identified to support ongoing growth.

Oracle's Strategic Network Optimization (SNO) solution allows CPG companies to design agile supply chains to minimize the risk of global business changes.

Specifically, it allows enterprises to determine an optimal capital asset allocation strategy using fast simulation of multiple what-if scenarios with robust decision support. By using supply chain topology as a baseline, you can quickly get started using integrated planning, execution, and performance management.

Globalization has resulted in more complex supply and distribution networks along with severe cost pressures. On the other hand, it has also opened up attractive new markets.

These developments have contributed to the need to develop more cost efficient distribution networks.

Reduce Costs through Dynamic Sourcing

SNO determines optimal sourcing strategies that consider all sourcing decisions. It provides time phased sourcing decisions on what facilities, outsourced facilities, or suppliers should provide which products to which markets and what transportation methods and lanes should be used.

Increase profits through asset rationalization.

SNO enables you to make optimal capital asset management decisions. It considers all of the complex costs involved in making these decisions and provides you with controls to guide the solution to pragmatic recommendations.

Increase Revenue with Segmentation.

Optimize the mix of products and/or customers to serve in constrained environments. When multiple products or customers are served from the same constrained assets its necessary to determine which products should be produced and what demand should be satisfied to maximize profits within constraints.

Manage supply chain risk more effectively.

- Evaluate value chain strategies in the context of risk and net delivered cost
- Rationalize your asset strategy for profitability
- Identify choke points to mitigate risk

Account for variability.

- Identify the right postponement strategy
- Account for all uncertainty and changes
- Determine the most profitable channels, products, and customers
- Choose the best service level strategy

Simulate changing business conditions.

- SNO provides value with its flexible and easy 'what if' simulation capabilities that provide powerful decision support for making tough strategic business decisions.

Summary

This whitepaper has identified a number of key issues for the consumer packaged goods (CPG) industry that result in an ever more challenging business environment. One of the major constraints that CPG corporations are presented with, in their attempts to meet these challenges, is that their

existing systems have largely created functional silos. Symptomatic of these silos is the need for operational personnel having to routinely work with multiple, un-integrated, systems. In order to do their job they need to deal with processes that are disjointed and prone to interruption as well as inconsistent outputs.

Oracle recognized this and embarked on a strategy whereby Oracle applications have been built using an open, standards-based technology platform. This makes it easier and less costly to establish robust integrations not only between Oracle solutions but also to third party applications.

This, of course, puts an end to operational and functional silos. In doing this, Oracle has acknowledged that the typical user has moved from being a 'transactional' user to being a 'knowledge' user who regularly needs to work with a number of applications.

By combining imbedded integration technology with Oracles' extensive range of best of breed solutions, centering around a primary business solution, such as JD Edwards, Oracle is unique in the marketplace in being able to offer a solution footprint that meets all the requirements of CPG enterprises.

The schematic below, illustrates how various Oracle solutions can be combined and used across a
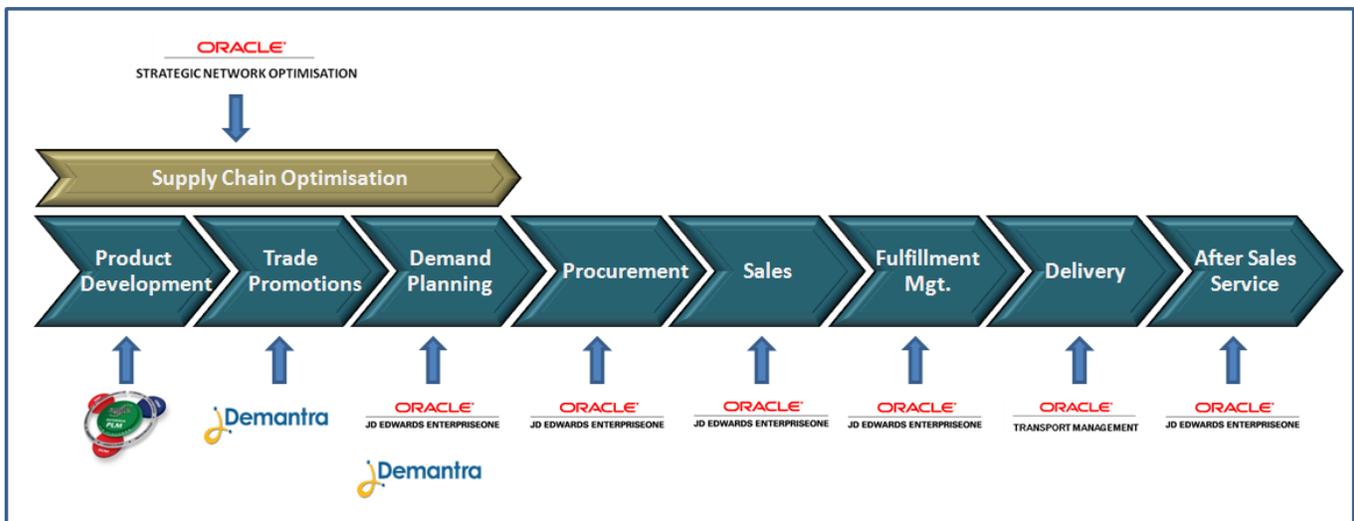
range of CPG business processes.

Minimizing Total Cost of Ownership

Good applications, such as the ones cited in this whitepaper, offer significant benefit by providing end-to-end solutions that improve capabilities across the entire enterprise ranging from better demand forecasting to a more effective supply chain through to optimized marketing channels (across a range of product portfolios), all of which ensures regulatory / customer compliance and gains new customers.

Such an overall solution should come with a low total cost of ownership.

JD Edwards meets this aim via three attributes:

- Flexibility and Ease of Ownership
- Targeted Industry Focus
- An Architecture Supporting Choice and Integration

As the Oracle footprint is expanded, total cost of ownership is still supported via Oracle's common technology platform shared by all Oracle applications by enabling robust, cost effective solution integration supported by a single vendor.

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Oracle is committed to developing practices and products that help protect the environment

Hardware and Software, Engineered to Work Together