E2open Inventory Collaboration

Minimized Inventory Liability in Outsourced Manufacturing

Excess inventory at brand owner and manufacturer warehouses, supplier plants, and vendor-managed inventory (VMI) hubs is a liability that can result in high excess and obsolescence costs, expedite charges and a poor on-time delivery record. **E2open's Inventory Collaboration application** enables brand owners to see and manage materials at all storage locations and act on shortages and excesses regardless of the inventory management model adopted. This reduces both obsolescence and inventory costs.

Outsourced manufacturing is a financial strategy that has become the de-facto standard at Global 2000 companies. Brand owners and manufacturers can gain significant financial benefits by moving inventory from their own facilities — and balance sheets — to that of suppliers, who then take over responsibility for managing and storing the inventory. However, even after the transfer, brand owners still have a vested interest in the inventory's availability. They often store excess inventory to hedge against suppliers' shipment delays and quality issues. Lack of in-transit inventory visibility, especially within upstream tiers in the supply chain, requires them to maintain even higher levels of safety stock.

One of E2open's Supply Management intelligent applications, E2open Inventory Collaboration provides real-time visibility into inventory at supplier facilities, internal sites and VMI hubs to enable companies to manage and reduce financial liabilities. Visibility into inventory within the network helps manufacturers situate the right inventory at the appropriate locations to mitigate excess and obsolescence costs. Companies can conduct what-if analyses for different scenarios in a real-time environment, reducing safety stock, inventory carrying costs and working capital liability.

Accurate Information Instead of Costly Inventory

E2open Inventory Collaboration manages the flow of component inventory between suppliers and brand owners and constantly monitors supply chain readiness, including

KEY FEATURES

- Real-time inventory visibility at VMI hubs, supplier facilities, internal sites and in transit
- Automation of pull and replenishment cycles for VMI at 3PL provider hubs, for consigned inventory at the manufacturer's VMI locations and for unallocated inventory at supplier locations
- Autosuggestions for replenishment schedules based on min/max days of sales
- Configurable exception-based alerts on projected inventory levels
- What-if planning in a real-time environment to simulate forecast changes and the impact on inventory
- Ability to identify excesses and shortages in order to balance inventory between contract manufacturers
- Part shortage management for predicting and resolving inventory gaps before they occur

KEY BENEFITS

- 20-30% reduction in inventory due to right-sizing across multiple tiers
- 30-50% inventory turnover improvement through increased visibility and agility
- Average of 8% reduction of excess and obsolete inventory
- 35% decrease in the time required to resolve potential shortages
- Resolution of shortage issues on the part of contract manufacturers and their suppliers with minimal brand-owner support

shortages and excesses. Precise inventory information reduces the need to keep costly inventory and precious capital locked up.

Right-Sized Replenishment of Inventory in the Multi-Tier Network

Typically, brand owners, manufacturers and their suppliers have blanket order agreements in place, but they do not account for fluctuations in demand. The application uses factors such as consumption pull signals, target inventory days of supply, shipment or lot size, minimum order quantity, and transit lead times to replenish inventory on an ongoing basis. Users receive alerts for potential inventory concerns based on the consumption and replenishment plans in place for every item at every location. By right-sizing inventory, companies can reduce the "bullwhip effect" across the entire supply network.

Comprehensive Visibility Into Current and Projected Inventory

The application provides finance teams with daily financial snapshots of all inventory. Contract manufacturers can eliminate excess inventory because they receive inventory reports and early warnings faster, giving them time to act. Instead of wondering whose data is correct, parties within all tiers of the inbound supply chain can share the same information and solve problems together. Tracking capabilities extend to all on-hand, in-transit and on-order inventory, regardless of where stock is physically stored, who manages it or who owns it. The application also manages consigned materials at third-party distribution centers and tracks raw materials, work-in-process and finished goods inventory at outsourced production lines. The resulting end-to-end visibility enables agile responses and increases inventory turnover.

Support for all Types of Vendor-Managed Inventory

VMI is a model in which suppliers own the inventory and determine the products and quantities they should ship to manufacturers based on demand signals, thus reducing or eliminating the bullwhip effect. E2open Inventory Collaboration enables brand owners' suppliers to efficiently execute an inbound VMI process. Supported VMI configurations include virtual stock at the supplying enterprise, consigned stock at consumption points or customer locations, and physical execution by third-party logistics (3PL) providers. Suppliers are able to operate almost as an extension of the buying enterprise, enabling streamlined information and material flow that result in improved on-time deliveries.

Part Shortage Management

Armed with visibility into inventory at all supply chain tiers, brand owners and their contract manufacturer partners can take action to balance supply with fluctuating demand. Companies get visibility to potential part shortages based on contract manufacturers' material requirements planning data. The system prioritizes the part shortages that are most important, enables contract manufacturers to create tickets for critical shortages and coordinates with suppliers to ensure that they provide the needed parts. If suppliers don't act quickly enough, the system escalates the issue to the manufacturer, who can then resolve it before any shortage occurs. Enhanced collaboration between contract manufacturers and their suppliers — with minimal brand-owner involvement — helps keep inventory balanced, reduces excess and obsolete inventory, and accelerates new product introductions.

End-to-End Supply Chain Management Platform

Once an organization implements any E2open platform application, it is easy to add more capabilities in the future for better visibility, coordination and control over the end-to-end supply chain. The E2open platform creates a digital representation of the internal — and optionally external — network, connects internal enterprise resource planning (ERP) and financial systems using SAP® and Oracle® certified adapters for timely data feeds, and normalizes and cleanses the data to make it decision-grade. Using machine learning-enabled algorithms and supply chain management applications, the platform processes the data and provides bi-directional, closed-loop communications back to ERP systems for execution. This facilitates the evolution of supply chain processes towards true convergence of end-to-end planning and execution.

Gaining control of inventory in the supply network empowers companies to proactively manage shortages and excesses across all tiers of the supply chain before imbalances escalate into widespread disruptions.