



e2open[®]

EBOOK

8 Imperatives to Improve OTIF Performance



Chargebacks: A Catalyst
for Transformation

Finding the Golden
Opportunity

Dissecting
OTIF

Achieving
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8 Imperatives for
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Chargebacks: A Catalyst for Transformation

As retailers resume the service expectations they held prior to the pandemic, chargebacks to consumer packaged goods (CPG) companies are reaching historic levels due to the realities of ongoing supply disruptions. The eight imperatives outlined in this ebook give you immediate actions to take to address the issue in the short term as well as strategic capabilities for creating consistently strong performance in the future.

In addition to reducing the cost of goods sold, the journey to improve service performance leads you to a more resilient, efficient supply chain overall, making these imperatives a powerful catalyst for achieving transformation.

Finding the Golden Opportunity

The name of the game in retail has always been getting the right product to the right place at the right time. When store shelves are stocked with adequate inventory consisting of the right products, everyone wins — the retailer, the CPG manufacturer, and the consumer.

It was hard enough when you only worried about demand. Generally speaking, supply availability wasn't much an issue in the past. However, now you can't assume supply is available or that your transportation partners can get it to you. Battling upstream and downstream disruptions has become a game of whack-a-mole, and empty shelves are way too common. "Supply chain" went from obscurity to meme sensation.

As consumers return to in-store shopping, many retailers have started holding you to higher service standards. Unfortunately, your supply constraints aren't getting much better. Tighter delivery windows, higher non-compliance fines, and tougher on-time, in-full (OTIF) requirements on top of constrained supply are creating a perfect storm that can rapidly erode your bottom line.

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Empty shelves are a nightmare for everyone. Consumers have increasingly high expectations, but they've also become more resilient when it comes to getting what they need, even if it's not what they want or when they want it. If the retailer has another brand available, the consumer might switch — or worse, if there's no reasonable alternative, the consumer will likely turn to another retailer.

Clearly, stockouts result in lost sales for you and the retailer — plus the consumer's perception of your brand image and the retailer's is tarnished. While OTIF penalties might feel like salt in your wounds, the pain can be a golden opportunity to drive transformative change throughout your supply chain.

As the advisory firm 8th and Walton put it, "Sales, profit, in-stock, positive customer experience, and most everything in retail depend on a smooth supply chain. OTIF puts the supply chain under the microscope and shows where improvement is needed. A better supply chain leads to more sales and a better OTIF score."¹

Dissecting OTIF

Each company measures OTIF differently, but the fundamentals are the same: orders must be delivered at the requested time with the requested quantity. If an order is early or late, or if it is delivered short or with excess quantities, that can snarl up the whole system.

It's important for you to understand the common causes for missing your OTIF targets. Do you struggle more with being on time, or is matching the quantity ordered are bigger challenge?

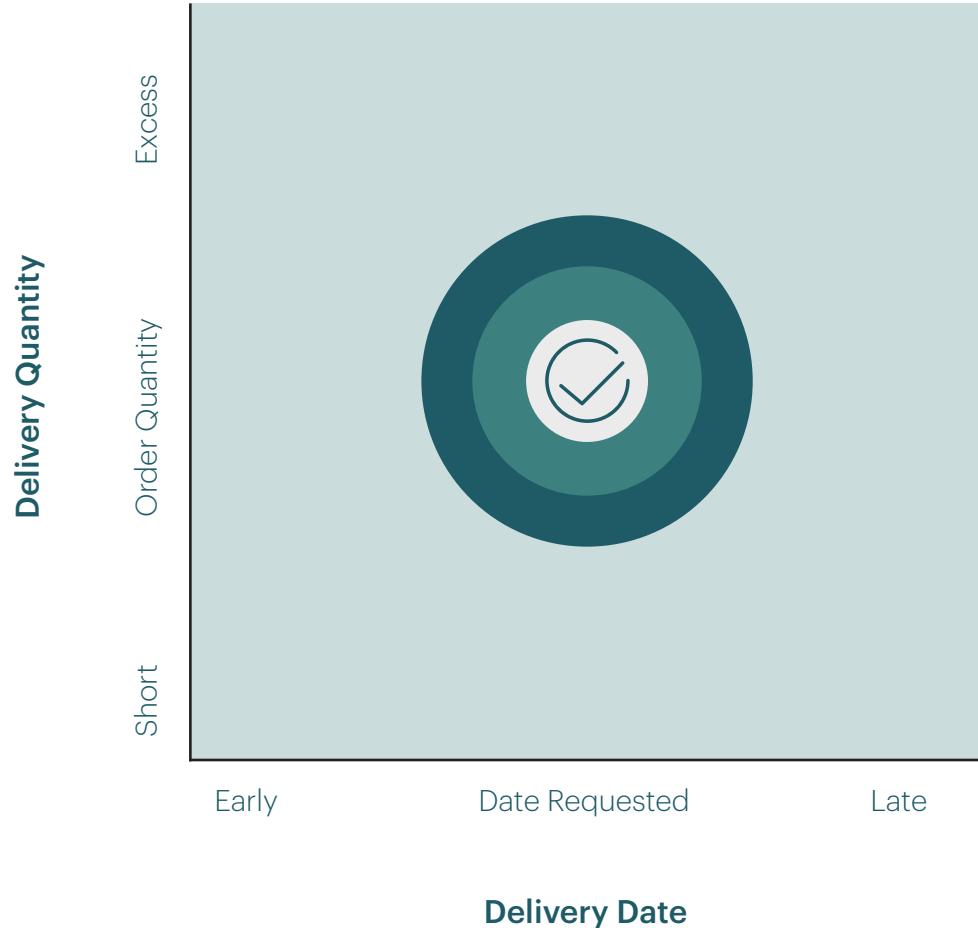
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On Time

Ideally, a shipment should arrive within the scheduled delivery window. When this does not occur, the most common scenario is that an order delivery is late due to one or more unforeseen issues. However, you can also be out of compliance if a delivery is early.

A late delivery raises the risk of stockouts, while an early delivery might disrupt the retailer's stocking space if there's no room to store the merchandise.

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Shipments can miss delivery windows for various reasons:

- No delivery windows are available on the due date.
- The delivery truck broke down or got stuck in heavy traffic.
- The delivery truck was delayed at an earlier stop for another retailer.
- The shipment left your distribution center (DC) too late.
- A shipment containing goods you expected to have available is held up in customs.
- Labor shortages left you short-staffed and unable to dispatch the order on time.
- Your legacy order-to-cash process can't keep pace.

In Full

Retailers expect your shipment quantities to match each purchase order. Stores have limited backroom storage, so there is no room for excess inventory. When the shipped quantity is short of the requested quantity, the risk of stockouts is high.



Like missed delivery windows, shipped quantity can be off for different reasons:

- You don't have inventory available at the right place and right time.
- You receive an unexpected purchase order and aren't prepared to fill it.
- A shipment containing goods you expected to have available is held up in customs.
- Your demand forecast didn't anticipate a sudden spike in orders.
- Your usually reliable supplier had a crisis, such as material or labor shortages, and is unable to deliver the promised goods.
- An honest error is not caught due to manual processes.

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Ultimately, the goal of the OTIF metric is straightforward: make sure items are in stock whenever the consumer wants them.² Achieving this goal creates shared value for everyone: consumers, retailers, and CPG manufacturers.

Taking it further, OTIF is an ideal indicator of how well your supply chain operates and how resilient it is. Low or declining service level performance is a symptom of suboptimal supply chain health.

You can leverage your OTIF performance as a forcing function to get all the kinks out of your supply chain and reach a new level of transformation. In addition to dramatically improving your OTIF performance, you'll gain competitive advantage with a more nimble, efficient, and resilient supply chain that enables you to respond to whatever comes next.

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Today's modern, dynamic market landscape requires CPG manufacturers to pursue eight imperatives to build resilience and raise OTIF performance. These imperatives enable you to establish a more connected supply chain and address the root causes of missed service level benchmarks.

Supply chains vary by company, so it is best to first review these imperatives and build a roadmap based on your organization's starting point, business strategy, and the approach that fits best with your brand's culture.

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1 – Seek Greater Visibility



5 – Engage Your Downstream Partners



2 – Uplevel Your Logistics Capabilities



6 – Establish Supply Continuity



3 – Pivot with Demand Fluctuations



7 – Mind the Borders



4 – Continually Optimize Inventory



8 – Collaborate with Your Network



1 – Seek Greater Visibility

You can't manage what you can't see. By gaining real-time visibility into what's in every truck and every container on the move, you can know where they are going, when they're expected to arrive, and from what source. Granular-level visibility provides an opportunity to make course corrections and minimize the impact of a late shipment. With insight into a potential delay, you can consider rerouting a shipment meant to resupply safety stock at the DC. If an import shipment is delayed at the border, perhaps you can pull stock from a distant domestic DC.

E2open Logistics Visibility enables you to consistently know the real-time status of goods on the move for all shipment modes, legs, and regions. By leveraging data from e2open's network, Logistics Visibility provides greater certainty for informed decision-making.

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2 – Uplevel Your Logistics Capabilities

Your last-mile, outbound logistics operation is the most visible link to delivering orders OTIF. If your inventory is in good shape, this is where you're likely to have the most immediate impact on improving OTIF performance. An effective logistics operation requires skilled resources and a software platform that allows you to easily plan, procure, execute, track, and settle shipments for all transportation modes and regions.

Your TMS should simplify your logistics operations and enable you to improve service and contain costs despite the challenges of changing market conditions. Controlling improving your logistics network brings greater efficiency, operational excellence, and reduced freight spend — and the e2open Logistics application suite has everything you need to move forward.

[Learn more](#)

If your company is resource-constrained or lacking in strong logistics skills, consider managed services to accelerate your capabilities. Outsourcing some or all of your logistics operations to e2open's **Logistics as a Service** experts can instantly upskill your transportation team, helping you immediately improve customer service and reduce transportation costs.



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3 – Pivot with Demand Fluctuations

If you've ever been surprised by a customer order, your planning process probably isn't keeping up with the times. Today's global disruptions and market volatility make traditional legacy planning techniques inadequate for reliable demand forecasting. Accurately predicting customer orders over the next several days or weeks is nearly impossible without advanced data science.

Through automation and machine learning technology, you can analyze real-time supply chain data, determine the influence of multiple demand signals, and produce an accurate daily forecast for every item at every location. In fact, e2open Demand Sensing has enabled companies to predict near-term demand with a 30 to 40% improvement in forecast accuracy compared to traditional time-series approaches, bringing a step change in readiness for every order.

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4 – Continually Optimize Inventory

Maintaining proper inventory levels at the right place in your network is key to service level performance. Too little inventory will negatively impact service achievement, but even a little excess inventory ties up capital and erodes margins.

You can minimize your inventory and maximize service levels with technology from e2open that automatically sets inventory targets for materials and finished goods at all stocking locations in your supply chain, from internal operations to supply and channel ecosystems. You'll gain the ability to zero in on problematic product lines and challenging customers by tailoring service goals for specific products and customers. Optimizing to minimize stocking levels while meeting target service levels can simultaneously improve service compliance, reduce working capital, and lower costs.

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5 – Engage Your Downstream Partners

Downstream inventory may be available to assist with OTIF order fulfillment, because distributors and resellers may have precious inventory they've kept to hedge against uncertainty.

E2open's channel inventory capabilities enable you to establish visibility and monitor demand and inventory across all downstream channels by connecting to your partners' sales, inventory, and forecast data. You can also collaborate with channel partners to optimize replenishment and identify opportunities to leverage excess inventory, thus avoiding OTIF penalties. Two such opportunities include inventory buyback and direct shipments to the retailer on your behalf.

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6 – Establish Supply Continuity

The last few years have made it abundantly clear that there's no situation where companies can assume that supply is unconstrained. Supply constraints, factory closures, labor shortages, and container delays are a few reasons you're left asking questions like "Can we fulfill our promised orders on time?"

Most companies overlook or underutilize a valuable asset: real-time supply signals. Such signals include purchase order activity, forecasts, replenishments, and changing inventory levels at every tier. Artificial intelligence embedded in e2open's applications can analyze these signals along with supply, demand, and transportation variabilities to provide early visibility and warn you of any service risks. The insights help you proactively mitigate risk, assure supply continuity, and avoid expedite costs and financial penalties.

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7 – Mind the Borders

Moving goods across borders is becoming increasingly complex. Changing rules and regulations and the heap of required documentation create risks and delays you often cannot afford.

However, now you can export and import with confidence. Software solutions from e2open give you everything you need for automated global trade — including customs declaration self-filing capabilities — to spare you many headaches, lower duty costs, and help get your goods across borders faster.

Today's geopolitical environment involves constantly changing trade agreements, import regulations, denied and restricted party lists, and documentation requirements. E2open's single platform, backed by the world's most comprehensive and current trade content database, is the necessary insurance that opens the way to regulatory compliance and duty savings.

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8 – Collaborate with Your Network

Supply chain is a team sport. Competing at a high level requires all parties to communicate and collaborate so they execute from the same playbook. Effective collaboration helps you develop trust and confidence, leverage economies of scale, and create a more agile, responsive, and efficient supply network.

With e2open's supply chain collaboration capabilities, you can improve supplier on-time delivery, reduce transactional costs, and create shared value. It's time to unlock the power of your supply chain network by leveraging a connected collaboration platform:

- Automate the procure-to-pay process and streamline labor-intensive manual reconciliation workflows
- Bring suppliers into the planning process to align and collaborate on forecasts
- Proactively identify and address supply and demand mismatches before they impact your business
- Manage and orchestrate inventory across all your supply tiers
- Collaborating across your network helps ensure that everyone is executing from a single source of truth to drive consistently high OTIF performance.

[Learn more](#)

Start your OTIF improvement journey now. Connect with an **e2open expert** to build more resilience and drive greater service performance in your supply chain.

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References

1. 8th and Walton Blog, "Walmart OTIF: A Supplier's Guide to On-Time In-Full." February 15, 2021. [<https://www.8thandwalton.com/blog/walmart-otif/>]
2. Ibid.



About e2open

E2open is the connected supply chain software platform that enables the world's largest companies to transform the way they make, move, and sell goods and services. With the broadest cloud-native global platform purpose-built for modern supply chains, e2open connects more than 400,000 manufacturing, logistics, channel, and distribution partners as one multi-enterprise network tracking over 12 billion transactions annually. Our SaaS platform anticipates disruptions and opportunities to help companies improve efficiency, reduce waste, and operate sustainably. Moving as one.™ Learn More: www.e2open.com.

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