



Linking Panasonic to Retailers in the Value Chain

With the exceedingly competitive home electronics market placing immense pressure on consumer electronics manufacturers, Panasonic Company National responded to increasingly complex customer requirements by embarking on a value chain management initiative. Using i2 solutions, Panasonic increased on-time delivery, elevated customer service, and earned greater market share.

More and more consumers are biting the bullet by replacing their analog videocassette recorders and cameras with new digital equipment such as DVD players and high-definition televisions, bringing smiles to retailers' faces.

But with new features for these "grown-up toys" being introduced every couple of days, price erosion is a serious concern for retailers. These companies do not want to be stuck with skids full of outdated camcorders when a new digital one is about to be introduced. Understanding the extreme competition in the home electronics industry, the retailers took their concerns to their suppliers, the home electronics manufacturers.

Receiving such messages from its top three customers in a matter of three months came as a major wake-up call for Panasonic Company National, the world's largest consumer electronics manufacturer.

"Our largest customers came to us and said, 'You have to start a system of supply chain management. You need to reduce our inventory. You should be reducing yours as well. And, most important, you have to reduce the lead time for both of us. The company that comes to us and can keep us in stock at the highest levels will be the winner in the long run.' We took that as a very meaningful challenge and found that to be a driver to gain some market share that our competitors wouldn't pick up," said Mike Aguilar, Panasonic's President and Chief Operating Officer.



Panasonic

Challenges

- Meet increasingly complex customer requirements
- Optimize value chain operations by replacing labor-intensive spreadsheet system
- Gain market share by reducing customers' inventory and lead times

Solutions

- Enable collaborative planning
- Create historical records based on true demand patterns
- Provide forward visibility

Results

- Increased on-time delivery to 84%
- Increased in-stock percentage to 90%
- Decreased inventory

Company Description

Panasonic Company National is a subsidiary of Matsushita Electric Industrial Co., Ltd., the world's largest producer of consumer electronics. The company's products are marketed under Panasonic, National, and Technics brand names, with some of its subsidiaries using brand names such as Quasar, Victor, and JVC. Matsushita reports annual sales of \$67 billion and employs more than 290,000 people around the world.

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— *Mike Aguilar*
President and Chief Operating Officer
Panasonic Company National
Panasonic

Meeting those increased customer demands would be a considerable challenge given that Panasonic’s forecasting and allocation systems were highly labor-intensive and based on Excel™ spreadsheets.

The company needed to find a partner to optimize its value chain operations across the board.

Why i2?

Panasonic looked at several promising supply chain solutions, but each was an isolated product that would not communicate with the other modules.

Then the company found an integrated, end-to-end solution in i2 Supply Chain Management,™ and chose to implement applications for demand planning and supply chain planning.

“We didn’t want to get into the old-style legacy systems where we had to patch everything together and hope that they worked,” Aguilar said. “We knew that i2 was offering us a unified system in which all of the separate solutions would talk together.”

i2 is the undisputed leader in high-tech value chain management solutions, serving more than 70 percent of the industry. i2 is the only solution provider that can deliver a value chain management solution that helps high-tech companies and their part-ners become more responsive to market demands while simultaneously lowering their costs to serve the market.

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i2’s Contribution

Panasonic is rolling out i2 Demand Planner™ and i2 Supply Chain Planner™ in support of its largest customers first, then to its medium-sized customers. The process is accelerated because of i2’s strong presence in the retail industry, as well as in home electronics.

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Using Demand Planner and Supply Chain Planner in both the United States and Japan, Matsushita is now getting a true picture of customer demand. i2 solutions are also improving collaboration with Panasonic’s key customers, by sharing forecasting data and arriving at a consensus forecast.

“Prior to the i2 implementation, we only had historical data on what we shipped out versus the backorders,” Aguilar said. “We had no data whatsoever on what the true demand was, what the out-of-stock ratios were on the retail shelves. With the new i2 system that’s in place, we can build a great historical record based on true demand, which we’ve never had before.”

That increased collaboration will enable Panasonic to better manage its logistics costs.

Panasonic’s Results

Using Demand Planner and Supply Chain Planner, Panasonic has shot to the top of the consumer electronics industry in terms of customer service.

On-time delivery for major customers has increased to 84 percent, and the in-stock percentage stands at 90 percent, the highest of any home electronics manufacturer. Those results have not been lost on Panasonic’s customers.

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That translates into more sales from existing customers—and greater customer loyalty, which is critical as the home electronics marketplace continues to evolve. Instead of a traditional supplier–vendor relationship, Panasonic and its customers are true business partners, thanks to the collaboration provided by i2 solutions.

"We have a much better view of what's happening at the dealer shelf, which is important," Aguilar said. "We have forward visibility into their ad planning schedule. We have visibility into in-store promotions. We're also able to integrate point-of-sale information into our collaboration planning."

That visibility, provided by Demand Planner and Supply Chain Planner, has enabled Panasonic to increase demand forecasting accuracy while decreasing its inventory.

"We can now capture the seasonality that's taking place on the dealers' shelves," Aguilar said. "Prior to using i2, we were great at our internal shipping seasonality, but we had no idea what the day-to-day or week-to-week seasonality was at the retailer level. Over the next 12 to 18 months, that's going to help us dramatically in planning our future production to hit the true demand that's taking place."



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