



The Supply Chain Results Company™

Enabling Collaborative Planning, Forecasting, and Replenishment at Panasonic

Panasonic Consumer Electronics Company, a wholly owned subsidiary of Matsushita Electric and Industrial Company of Japan, is a household name in consumer electronics, manufacturing cutting-edge products such as DVD players, camcorders, and plasma and high-definition televisions.

In 2004, while evaluating the performance of its fast growing plasma TV business, Panasonic observed the massive growth taking place in the area of high-definition, plasma TVs. Company executives found that consumers were willing to pay 5 to 10 times more for these high-end TVs than traditional tube TVs, and they wanted to capitalize on this booming plasma market.

"We're the leaders in developing high definition plasma display technologies in all large-screen sizes, including the world's largest plasma at 103 inches," said Mike Aguilar, Panasonic's Executive Vice President of Supply Chain Strategic Initiatives. "We want to take advantage of our lead in this area and make the most of trends we are seeing in the marketplace."

However, cut-throat competition had led to rapid price erosion. This, combined with high demand variability and short product life cycles, left Panasonic with razor-thin margins. To ensure profitability and increased sales, Panasonic's new CEO decided to redefine all the internal processes and measures through effective supply chain management techniques. Panasonic wanted to evolve to become a consumer-driven company rather than a supply-driven company, and to focus its sales not on the channel partner's warehouse but on the end consumer's point of sales (POS) at the retailer's end.



Panasonic

Key Challenge

CEO mandate for redesigning supply chain processes to improve sales and margins in less than 6 months

Solution

i2 Managed Services

Results

- Within a year, Panasonic's plasma TV sales increased five-fold, even though the industry was growing only two-fold
- The average inventory level at the channel partners' DCs fell from 17 weeks to 5 weeks
- The order lead time to ship a retail order dropped to 3–5 days instead of the original 2–3 weeks
- Panasonic can now respond to changes in customer demand within a week instead of 6–8 weeks in the original process

Company Description

Based in Secaucus, NJ, **Panasonic Corporation of North America** markets a broad line of digital and other electronics products for consumer, business, and industrial use. The company is the principal North American subsidiary of Matsushita Electric Industrial Co., Ltd. of Japan, and the hub of Panasonic's U.S. branding, marketing, sales, service, and R&D operations.

“This has been a great learning experience for both Panasonic and i2. We are extraordinarily happy with the results. I would highly recommend not only using i2 solutions, but also taking a look at i2’s consultants and its India operation, because it makes sense to combine all three.”

— Mike Aguilar
Executive Vice President
of Supply Chain Strategic Initiatives

Panasonic

According to Aguilar, Panasonic’s CEO had determined, “We can no longer be focused on selling products to dealers. We need to be focused on selling what the end consumer really wants, and to realize the sale doesn’t really happen until that consumer buys the product.”

The company needed a partner to help in redefining its collaborative relationship with its key channel partners and to get the process up and running within six months.

Why i2?

i2 had provided Panasonic with an integrated, end-to-end solution in i2 Supply Chain Management,[™] and had implemented robust applications for demand planning and supply chain planning. Because i2 was already its trusted supply chain advisor, Panasonic approached i2 to come up with a new process for channel management and collaborative planning.

i2 helps synchronize supply chain activity at all levels — rapidly evaluating the impact of any changes, helping to decide the best possible resolution option, and then executing the decision with constant process monitoring. Leading companies across the high-tech supply chain are leveraging i2 new-generation solutions for closed-loop planning and execution to address critical business challenges.

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i2’s Contribution

Panasonic had pursued collaborative planning, forecasting, and replenishment with its key retail partners for several years, but on a national scale only. This created frequent stock-outs in various channel partner stores and distribution centers. i2 consultants analyzed the existing process and designed a completely new supply chain planning and fulfillment strategy for Panasonic that gave the company much deeper visibility.

i2 decided to break down each channel partner into its respective distribution centers (DCs) and collect daily DC/store-level POS trends, which would be used to create efficient forecasting and replenishment plans for each DC/store. There was no time for following the traditional software implementation process. Instead, Panasonic and i2 formed a joint team.

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With this approach, i2 and Panasonic together manage the demand and replenishment planning for the retailers and decide what merchandise to put in each of the retailers’ DCs on a weekly basis.

i2 also set up a competency center in India for working closely with Panasonic and its channel partners for analyzing POS data, promotional activities, and market intelligence reports, which helps to ensure accurate demand forecasts, replenishment plans, and safety stock levels. It provides detailed analysis back to all parties as part of a well-defined collaboration process. The i2 India center has some great advantages because of its time difference factor.

“We’re essentially cutting a day out of our forecasting process, because although our channel partners’ weeks end on either Friday or Saturday, the information is in India on Sunday—their Monday,” Aguilar said. “They work on it all day and deliver it to our desktops on our Monday. In this way, we’re able to operate 24/7.”

Panasonic's Results

The combination of i2's consulting group, IT group, and the India competency center helped to complete this project within six months. The team achieved amazing results for both Panasonic and its retail partners in terms of sales, profit margins, inventory control, and customer relationships.

- Within a year, Panasonic's plasma TV sales increased five-fold, even though the industry was growing only two-fold
- Panasonic led the Plasma market with a market share between 35–40%
- Panasonic increased its margins substantially by cutting supply chain costs and reducing price protection and markdowns
- Panasonic can now respond to changes in customer demand within a week instead of 6–8 weeks in the original process
- The average inventory level at the channel partners' DCs fell from 17 weeks to 5 weeks
- Customer availability of products increased from 70–80% in 2004 to more than 93% in 2005
- The order lead time to ship a retail order dropped to 3–5 days instead of the original 2–3 weeks
- There were often misalignments of inventory levels with actual sales in many of the channel partner DCs. But with i2's help, within a year, inventory levels at all customer DCs were found to be perfectly aligned with their sales
- Within a year, Panasonic was being considered by major retailers as a tier-one supplier and it became the "go-to" brand in plasma TVs for key retailers

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