



## A FMCG business improves service and reduces inventory by improved forecasting

### The company

The company is a well-known market leading organisation in the food and drinks sector of the Fast Moving goods market. It is therefore selling to demanding consumers through all of the stores on the typical high street – whether large supermarket chains or small grocery stores.

Its product range includes drinks, snacks, and dairy products. It has the ambition to grow across these sectors across Europe where market conditions have been spectacularly challenging. They compete against all the major companies in these sectors, which is made highly volatile because of the mix of economic factors, and continued high level of consumer and customer promotions.

They have huge ambitions to grow and were seeking a way of continually checking that they were on target to meet their Annual Business Plan.

### The challenge

Back in 2012 the Russian Business Unit found the need to improve their planning processes. The business had grown significantly over the previous decade; they had survived the Russian economic crisis, expanded their categories to include food, beverage and dairy and were now ready for the next step forward.

David Manning was asked to conduct an assessment of their S&OP process

The assessment quickly showed that it was not just their long term planning process that was in need of an overhaul, but that the short term process was not integrated and not delivering world class standards of customer service, even though they were holding a significant amount of inventory.

There was a real difficulty in the Demand Planning area. Being a typical FMCG market

place, the demand has to be managed in a heavily promoted environment, which is constantly reacting to competitor and customer changes on a very frequent and short-term basis.

Forecast accuracy was poor, and forecasts were not trusted by the supply side of the organization. When demand changed, the lack of effective demand management and demand control led to constant firefighting.

### How Delos met the challenge

The Company set up a project with a Senior Steering Committee and four 'Task Teams' to cover New Product Development, Demand, Supply and Finance/Senior Team.

He started off with an Education workshop to engage the Senior Team and Senior



Managers, and followed that up with workshops for each of the teams. After that he consulted with the business to help them establish the processes and behaviours to support the new SOP process.

Key to the success was the recognition that Demand Planning is a multi-input process requiring cross-functional engagement. With the supply chain, finance, operations and marketing all engaged in the process, the lack of trust evaporated. This led to the development of a fully integrated long term (18-24 months) S&OP process which aligned with an effective short-term demand and supply control process. It was soon clear that the Russian Business Unit was in control and beginning to manage its inventory and improve customer service.

The President of the region rapidly saw the benefits of the process. As a consequence to the successful outcome of this project, the President of the European Region decided that he wanted to roll out S&OP and Demand & Supply Control throughout the Region enabling him and the Regional Executive to have a fully integrated view of the region's

performance, and more importantly a 5 quarter rolling forecast of the regions projections, which he could hold the BU-GMs accountable for delivering. Clear accountability is core to the Delos SOP approach.

This resulted in a coordinated programme to develop S&OP and Demand and Supply Control across more than 15 East and West European and S Africa business units. In each market the same approach has been taken – initial education and rapid deployment of the process.

Each of the markets has been assessed along the way in line with a bespoke assessment.

## The results

Results have varied across BUs. But a significant theme of has emerged across all the BUs that have achieved Gold and beyond status.

These include:

- Improved and sustainable levels of customer service
- Improved inventory turns
- Reduced obsolete and slow-moving stock
- Improved forecast

accuracy

- Improved management and effectiveness of promotional planning and execution
- Increased effectiveness of NPI
- More robust delivery of the Annual Operating Plan (budget) and strategic execution

One of the key value adds that has been achieved, which is often under estimated in many projects, is that one BU documented that it freed up 100 hours of Executive Management time per month by eliminating the fire fighting and short-term focus.

In addition, all BUs have significantly simplified their Annual Operating Plan [AOP] process by using the rolling S&OP process, by creating a simple snap shot in order to provide the numbers for the following years' budget.

This has also driven a focus upon longer-term gap closure, positive and negative, and enabled a more robust process for delivery of the AOP, and is now driving growth and ambition for the future.