

Case Study

Brewery Company



The Company

The Company is one of the top brewers located in the heart of Bavaria, Germany. Given the physical location of the plant in the center of the city poses unique capacity challenges for The Company, regarding inventory space availability. Such storage limitation implies that The Company must service its customers with as little as one day of inventory. The Company needed an exceptionally accurate forecasting tool in order to raise its customer service level given the very low margin of error allowed by the lack of much safety stock.

- The Brewery Company is one of the largest breweries in Germany.
- It's one of the best known with 3 brands, 20 types of beer, and up to 30 packaging types.
- 70% of distribution is domestic, and 30% is international.

In fact, the very low safety inventory restrictions mandated the forecasts to be exceptionally accurate, down to the product package level, by measure of one day. Given the nature of their commodity business, not meeting the customer demand adequately could mean loss of market share.

The Company had never used forecasting systems before so they turned to their Chief Technology Officer to spin up a focused team to find the right Demand Planning solution. There were three key strategies that The Company wanted to deploy in order to increase the accuracy of forecasts, namely:

- **Provide the best statistical forecast by applying sophisticated time series extrapolative methods**
- **including the embedment of additional information such as weather forecasts and other factors that were thought to influence beer consumption.**
- **Provide an easy to use graphical-user-interface that can be used by sales people who spent a lot of time with customers and little time in front of computers**
- **Establish a closed-loop process to measure the accuracy of the forecast and continually improve the methods used in the statistical forecasts and sales forecasts.**

The Solution

The Company went through a software selection process that started out with 50 software vendors and in the end chose Adexa as the solution provider. A structured S&OP planning process using the Adexa Collaborative Demand Planning system was implemented in order to create a consensus demand plan that the company would use to guide production and their inventory policy. A

comprehensive process was put in place to determine what key factors would be used in the statistical forecast and to enable the sales people to input their short-term forecasts.

The key factors that were included in the statistical forecast were established by interviewing the people in the company with the most experience. As these key factors were identified, mathematical models were established to measure their effect on the forecast based on past experiences. Factors such as weather, temperature, seasons, and holidays were included and tested. Finally, a set of criteria was chosen to drive the forecast. The sales people were trained to put their forecast into the system directly, or through the Excel built-in interface option that is part of Adexa's Collaborative Demand Planner.

Value Delivered

The solution went into production within 4 months after the implementation start-date. In addition to providing accurate forecasts, the system has been measuring forecast accuracy and delivering performance trends since the go-live. The system has made an exceptional contribution to the bottom line by way of improving some key performance measures as described below:

- Short-term forecast accuracy (6 weeks lag) has improved to 90%
- Long-term forecast accuracy (18 months lag) has improved to 85%
- Inventory is limited by the fact that there is no room to put any extra products and The Company is doing much better servicing their customers in spite of this restriction.

The improved forecast accuracy implies having the right product at the right time which means servicing the customer a lot better and avoiding the burden of

carrying the wrong inventory. This translates to millions of dollars over the course of a year. And we can all drink to that! Prost!