



CUSTOMER STORY

The Absolut Company

Absolut Vodka automates planning to produce locally and compete globally

Introduction

Absolut Vodka is the world's largest locally-produced vodka, fully based on Swedish winter wheat. Since 1879, it has been manufactured in the small town of Åhus, Sweden. Its wheat farmers, glass providers and other suppliers are within a four-hour drive of the company's single distillery and two material production sites. Instead of sourcing ingredients from distant suppliers, the company keeps its operations local to maintain the quality and sustainability of its products. As 99% of the production is exported, it is also Sweden's single largest food and beverage export, with 75% of products shipping from the small harbor of Åhus.

Industry

- Consumer Goods - Food & Beverage

Solution

- Demand Planning
- Inventory Optimization
- Replenishment
- Production Planning

Results

- Optimized production sequences
- Increased overall production efficiency
- Increased product availability

Challenges

The Absolut Company faced both company-specific and industry-wide challenges. In Åhus, a single planner

handled all the forecasting and production planning. In contrast to the highly-automated production process, the planning process was a manual task, and the planner had only the use of spreadsheets. This planning method could not keep up with the increase in SKUs which, for over the course of five years, rose by 19% as the number of core flavors increased from 11 to 18 and the number of limited editions increased from 2 to 12. On top of that, the planner had to do some tricky maneuvering to ensure product availability, as The Absolut Company produces 11.5 million nine-liter cases a year which are all shipped from the small Åhus port to Hamburg, Germany, and then distributed worldwide. To keep its production lean and minimize

environmental impact, the company keeps only three hours' worth of safety stock, so scheduling needed to be easily but closely monitored.

These challenges were compounded by the changing dynamic of the alcoholic beverage industry. An increasing number of customers are consuming less and migrating from big brand names to smaller "craft" options that often come at a premium. This means both increased demand and competition among more local distilleries.

As complexity rose, The Absolut Company started to look at alternative planning approaches that would usher Absolut Vodka into a new era, while honoring traditions and continuing to manufacture in Åhus, Sweden.



We went from a time consuming manual planning to full focus on optimizing. Now we can plan even further ahead and our next goal is to get a "GPS-function" for planning, we will tell it where we want to go and it will draw the map."

-Peter Neiderud, Director Supply Chain and QE, The Absolut Company

Solution

The Absolut Company had three main goals. To satisfy its parent company's demands, it needed to increase service levels, reduce inventory investment and ensure that the right products reach the right customers despite increasingly complex markets. According to Peter Neiderud, Director Supply Chain and QE, "We wanted to make sure we could deliver as promised even though we would cut inventory by 20%."

The Absolut Company chose Otilon as a partner after a thorough evaluation of several candidates. A key factor was Otilon's ability to integrate best-of-breed solutions for production planning, demand forecasting, inventory optimization and replenishment into a seamless, automated process. The proposed solution could guarantee product availability according to targets, with minimal investment in finished goods. SO99+ from ToolsGroup was put in place for demand planning, inventory optimization and replenishment, while Compass from Plannet was implemented for production planning. With a fully integrated yet user-friendly solution, one planner is still in control of the entire forecasting and production planning process.

Results

Through a high level of automation in planning, proactive decision-making and optimized production sequences, The Absolut Company resolved its supply chain challenges. The solution reduced the time spent on manual planning, limiting most planner intervention to exceptions and decision-making. At the same time, the company now has a better overview of the bottlenecks and they can keep a higher deliverability when their inventories are temporarily low.

Despite increasing production demands and availability targets, overall production efficiency and product availability has improved. This did not require further investments in resources and competences, as one person still controls the whole end-to-end process. According to Neiderud, "Now, we've used it for three years and we have the same delivery performance as before with lower inventory."

+ About ToolsGroup

Please visit our website at toolsgroup.com to learn more about how we are helping leading brands worldwide to improve their supply chain planning. © 2019, 2021 ToolsGroup. All rights reserved.