CUSTOMER STORY

Franke

Taming Franke's Extreme Supply Chain Complexity

Challenges

Franke's tremendous growth resulted in a very complex supply chain network that was no longer running optimally. Franke's Kitchen Systems and Water Systems divisions consisted of 42 locations (including 12 production facilities) with four echelons serving 146 markets and more than 125,000 SKUs (equating to 1.4 million SKU-Markets). Seventeen different ERP systems were in use. Data structures and planning processes varied. Franke rolled out SAP as the master database for all locations where SAP was the ERP system, but the system for demand forecasting and planning hadn't changed nor were these processes integrated. This posed a huge problem given the complexity of Franke's supply chain network.

Industry

- Industrial Manufacturing

Solution

- Demand Forecasting & Planning
- Inventory Optimization
- Allocation
- Replenishment

Results

- Significantly improved forecasting process stability
- Significantly reduced time to execute forecasting and demand planning (approximately 50%)
- Increased forecast accuracy (8 MAPE points reduction at material level)
- Reduction of seasonal inventory peaks and related bullwhip effects

Company Overview

Franke is a world leading provider of solutions and equipment for residential kitchens and bathrooms. The company that was founded in 1911 by Hermann Franke in a small Swiss town

has turned from a local craftsman's workshop to a global pioneer that today employs around 9,000 people in 40 countries.

Process & Objectives

The next step Franke's team took in overhauling its supply chain network was to define global business targets to bring demand forecasting and planning systems to the next level. Given the shortcomings of its home-grown tool, Franke sought commercial software that could improve forecast outcomes fast in a multi-echelon environment. It also needed to support inventory optimization and replenishment in those locations where SAP was not available. It needed to be able to factor in high-level production constraints and varying calendars through the network. Of course, strong SAP integration was an absolute must.

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During the evaluation phase, the supply chain team assembled a long list of tools to evaluate. Franke chose ToolsGroup Service Optimizer 99+ (SO99+) for various reasons as Enrico Casalino, Head of Logistics Planning & Engineering at Franke Kitchen Systems explains: "We have a very complex supply chain network and only two people from the global team to work on the project. Apart from ToolsGroup, all other solutions required two to three times the effort and resources that were at our disposal. No one actually thought it would be possible to manage this complexity with just two people."

ToolsGroup's probability-based forecasting also made a huge difference. "Other tools only let us create an average forecast which was not ideal given Franke's diverse and complex product portfolio," explains Casalino. "Also, others required us to manually pick different algorithms for different tasks. This was impossible given our 1.4 million SKU/market combinations. Only SO99's algorithm decides automatically what best matches our needs — that really made a difference."

ToolsGroup's Demand Collaboration Hub (DCH) is a web-based consensus forecasting platform that brings together demand and forecast data from multiple sources and allows the different locations of Franke to collaborate and participate in the forecast planning process. This also had an impact on Franke's decision. The professional support by the ToolsGroup team during the evaluation and the fact that the solution was economically competitive were additional factors that sealed the decision.

"ToolsGroup managed the project extremely well," says Casalino. "We appreciated the structured but not complicated approach, the openness of the discussions, the proper documentation and the high professionalism and honesty of all team members."

Day to Day

Today Franke runs SO99+ for demand forecasting & planning, multi-echelon inventory optimization and replenishment smoothly alongside SAP ERP 6.0. In order to achieve this, ToolsGroup aligned the logic of both systems, which included defining a data validation and delivery process.

"You could say that for demand forecasting and planning our SAP system has become a slave and SO99+ the master," explains Casalino. "However, in certain inventory planning and replenishment cases, it works the other way around and the logic is defined in SAP."

The first forecast was available after only three months. At the global level, two people manage the project - one dedicating 50 percent and the other 70 percent of their time. At the local level a team of 100 planners across the organization collaborate on the demand planning and forecasting process through ToolsGroup's Demand Collaboration Hub (DCH).

In this process SO99+ provides the baseline forecast to DCH. The DCH users across Franke work in parallel to add their market knowledge to the forecasting process. DCH then generates statistics that weight different data sources according to the level of accuracy they contribute. Sources that historically contribute to high forecast accuracy are weighted more heavily – and vice versa.

"ToolsGroup's DCH approach gives us a level of visibility into the planning and forecasting process that was impossible with our old tool," says Casalino. "The local people can contribute with their market know-how but the control and final sign-off remains with the global team."

Results

The integration of SO99+ with SAP ERP was very positive for Franke. Most importantly, it meant that Franke was able to reach its forecasting targets set in the beginning of the project. The company receives reliable forecasts from all its markets, is able to distribute the forecast efficiently via the DCH through two echelons, and is now confident to significantly improve inventory optimization and replenishment:

- Significantly improved forecasting process stability
- Significantly reduced time to execute forecasting and demand planning (approximately 50%)
- Increased forecast accuracy (8 MAPE points reduction at material level)
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"We are very satisfied with our ToolsGroup implementation," concludes Casalino. "The people were great to work with, showed a high level of expertise, were always open to listen and always found a solution that would help us managing our highly complex supply chain with confidence."

His colleague, Christian Spitz, head of demand planning at Franke Kitchen Systems adds, "Working with the ToolsGroup team was an extremely positive experience. We were able to find straightforward solutions based on honest and open discussions. We are happy with our improvements and looking forward to our journey with ToolsGroup and SO99+."

+ About ToolsGroup

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