



CUSTOMER STORY

Garden Planter Co.

S&OP Controls Inventory and Delivers on Service Levels

Challenges

This decorative garden company experienced an unsustainable inventory increase and lacked a tool for accurately measuring supply chain performance and enabling appropriate corrective actions. They faced a business with strong seasonality and a catalog that is renewed every year, while factories are capacity constrained and must produce product throughout the year.

Industry

- Consumer Goods

Solution

- Demand Forecasting & Planning
- Inventory Optimization
- Replenishment
- Sales & Operations Planning

Results

- Inventory reduced by 30% without impacting service levels
- Obsolescence reduced

Company Overview

Originally specializing only in industrial production of clay vases, today this manufacturer is a world leader in its field, specialized in the design, production and marketing of vases for indoor and outdoor use, built with different materials and designed for different markets and lifestyles.

The company has five manufacturing plants located in Italy,

the United States and China. The products are distributed by separate commercial subsidiaries in European countries (Italy, France, Spain, and UK), the United States and China who act as channels to garden centers, DIY (Do It Yourself), retailers, wholesalers and specialists.

Project & Objectives

The company was facing several critical supply chain issues caused by its type of business, its industrial structure, and its manufacturing and market channel choices. The complexity of its sales, distribution and production processes required reorganizing its planning procedures and tools to improve control and supply chain efficiency.



"The ability to generate accurate sales forecasts and define operational plans has allowed our SI&OP process to deliver a reliable service level to the market while efficiently utilizing production and logistics."

Its business is characterized by strong seasonality and a catalog that is renewed every year. By contrast, the factories are capacity constant and must produce product throughout the year.

Lead times can be long, as much as four months for some finished products suppliers to resupply the distribution network. Before the project, there was no structured Demand Planning process and the sales budget was not subject to regular review and revision based on planning, production and purchasing activities. There was also a lack of real integration between

central and local planning, sourcing and finished product procurement. Inventories had increased to the point where they were no longer sustainable for the company. Finally, there were no tools for accurately measuring supply chain performance or enabling appropriate corrective actions. The supply chain process could not guarantee expected customer service levels.

The company launched a project with the following strategic objectives:

- establish a solid and reliable Sales & Operations Planning (S&OP) process in which sales forecasting plays a role important as the driver for the distribution, production, planning and procurement
- create integrated planning processes (both commercial and industrial)
- integrate the information distributed across various levels in the organization
- optimize service levels and inventory at all levels of the network
- maximize the efficient use of resources

The supply chain group quickly grasped that an advanced planning tool would be required to handle the complexity of the network, the physical flows of products, the multiplicity of markets/ channels, and the large number of products. They also wanted a tool that incorporated advanced and reliable forecasting algorithms and one with ability to model complex

distribution networks without having to create special workarounds. They also needed to cover the deficiencies of their existing systems by being able to support decision-making processes, develop proposals, and optimize the use of resources within constraints. They chose SO99+ from ToolsGroup, which also included capabilities to:

- shape the market (the definition of significant areas of sales)
- validate the historical demand
- cluster the product catalog (family planning)
- harmonize master data
- define the correct parameters that constrain logistics management network (lot lanes, crossing times, frequencies update, etc...)
- define the supply logic for individual products
- model the distribution network for homogeneous product groups
- implement the communication interfaces between the new planning system and the existing ERP system

The project included a steering committee, a project leader and project team, the supply chain manager, and the supplier of the planning solution (ToolsGroup).

Day to Day

The S&OP process is performed during the second week of each month and covers a 6 month planning horizon. All those involved (supply chain managers, sales managers, area managers) meet face-to-face, supported by the planning system.

The demand side is changed only in the face of significant changes (usually information collected by the field directly from customers and distributors). Depending on market/channel/customer, a specific intervention path is defined during the meetings. All decisions are supported by a Supply Chain Dashboard that shows:

- forecasts of critical overstock
- forecasts of critical under-stock and / or stock-outs
- inventory turns (inventory turnover rate) and ABC cross-analysis
- highlighted delays in supply
- past forecast analysis and forecast accuracy
- vendor rating (lead times, average Wdelays, non-compliance etc...)
- customer service level based on % of the number of rows on-time
- customer service level based on % of order value on-time

Stocked items are planned to ensure an overall service level of between 95% and 98%, depending on the aggregate product family and its stocking strategy. Each item in the portfolio has a target service level that determines the amount to stock based on the characteristics of expected demand.

Results

The ability to generate accurate sales forecasts and define operational plans has allowed the company's S&OP process to deliver a reliable service level to the market while efficiently utilizing production and logistics. The new planning process has reduced inventory by 30%, and with no impact on customer service. It has also reduced obsolescence. In addition, the process provides:

- full governance of business strategies (volume and service level)
- a strong awareness of planning issues within the company
- visibility of medium-term critical issues
- involvement of main suppliers in the Rough Cut Capacity Planning process

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