

AB World Foods optimizes inventory planning with Infor Supply Chain Mgmt



Setting the strategy.

AB World Foods has a highly complex supply chain, a typical situation in the food industry. That complexity arises from the nature of the company's globally sourced and distributed products, as well as by the demands of growth and acquisition.

The company sells and distributes its products across three continents and 40 countries. The supply chain includes multiple routes to market; 1,427 delivery points, 52 finished goods suppliers, multiple warehouses, factories in Europe and Thailand, and suppliers located in Eastern Europe and the Far East. Its third party logistics (3PL) company manages the distribution of 48 brands and 1,320 stock keeping units (SKUs).

In the course of merging the operations of Patak's and G Costa, it became clear that the two businesses ran very different sales and operations planning (S&OP) processes, which yielded different service levels, inventory turns and lead-times. They also supported their S&OP processes on different technology platforms.

Gary Brookes, head of supply chain, AB World Foods explains, "The integration of the two businesses into AB World Foods gave us a great opportunity to re-think what we wanted from our supply chain—which process and systems improvements could be made to bring big benefits to our entire operations. Fundamentally it was about understanding the business before we could move forward."

Crucially, the business lacked a single, global view of demand, the absence of which led to production, sourcing, and inventory planning challenges throughout the entire supply chain.

The opportunity to cut costs while also improving service levels was another compelling driver for change.

Annually, AB World Foods invests three quarters of its revenues—some £93 million—in its supply chain, which includes production, storage, and transportation costs, as well as the cost of purchasing ingredients and finished goods.

Gary Brookes, explains: "As with most FMCG companies, our supply chain is responsible for the largest spend, and is therefore an area where we could achieve the most significant cost savings. It could also provide the pivotal link between all functions of the business. When the businesses were joined together, we looked for synergies and quick wins. These were realized quite quickly in sales and marketing, as most products sat in the same supermarket aisle and had the same head office buyer. However, when we got to the supply chain we identified that there were quite profound differences."



"We have seen some profound benefits throughout the phased implementation. In the case of inventory planning we have already increased our service levels from 91% to 96%."

—GARY BROOKES, HEAD OF SUPPLY CHAIN
AB WORLD

About the company.

AB World Foods specializes in the provision of ethnic foods, through its ownership of Indian prepared food manufacturer Patak's and Asian food manufacturer Blue Dragon. The company was established by Associated British Foods (ABF), which acquired G Costa and Patak's in recent years and combined the two firms under the AB World Foods brand. The majority of the company's business comes from brands such as Blue Dragon, Patak's and Reggae Reggae (80%) with the rest contributed by agency sales (12%), private-label manufacturing for multiple retailers (7.5%), and third party manufacturing (0.5%). The company is part of the food division of ABF, a diverse international food, ingredients, and retail group with sales of £8.2 billion and more than 96,000 employees in 44 countries.

Getting business specific.

AB World Foods saw that it needed a common sales and operations planning process that linked all elements of the business together. The company's goal was to build an integrated set of technologies, applications, and processes that would connect the strategic planning function with the operational and financial goals of the business. In this way, they would achieve greater visibility and control over their supply chain with enhanced decision support.

Both G Costa and Patak's relied upon relatively cumbersome spreadsheet-based planning processes, using a four-week cycle in the case of G Costa and a oneweek cycle for Patak's, with varying degrees of input from the sales teams. The resulting information was difficult to analyze and assess and required a great deal of manual trending.

Seasonality—an important element of demand variation—was also difficult to predict. Even the Chinese New Year caused a large uplift in demand that the spreadsheet planning process could not adequately anticipate. Managers held a general sense of mistrust about the accuracy of the forecasts and measures that the process produced. "When it came to G Costa, the sales forecasts were so far out that production would use their own numbers for planning", says Brookes.

AB World Foods overall mission was to introduce a new integrated business planning process to deliver an accurate, comprehensive view of its operations expressed in unit and financial terms.

Central to AB World Foods' plan was the ethos of a single volume sales forecast incorporating intelligence from sales, marketing, operations, and customers. This would help manage the business by providing the best forward picture of global demand, based on influences such as planned promotional activities, new product launches, and competitor activity.

AB World Foods chose Infor's supply chain solutions following an extensive review of the market.

Infor10™ Demand Planning, Advanced Scheduling, and Infor10 Corporate Performance Management solutions scored highest on the basis of functionality, integration, and lower total cost of ownership.

Facts at a glance

Product

Infor10 Demand Planning
Infor10 Advanced Scheduling

Industry

Food and Beverage

Country

UK

AB World Foods was particularly impressed by the Infor team, which worked alongside AB World Foods to design best practice processes for the organization. Infor's professional services organization had already proven the value of its consultancy skills by formulating a strategy to consolidate both business units.

Then, during 2008, the team deployed a single enterprise resource planning solution, Infor ERP BPCS, running on an IBM System i 9406 Model 525, to support the new structure.

Gary Brookes explains: "Some of the supply chain solutions we looked at were too simple, others too expensive. Infor was the best package from a cost and capabilities point of view. Infor was also able to provide valuable consultancy at the beginning of the project, helping us to work on our demand forecasting requirements from the new system while we continued to run the business."

The key elements of the integrated solution included:

- Demand forecasting—statistical forecast creation with collaborative input from across the business
- Inventory planning—fine-tuning inventory levels to match investments in inventory with the desired service levels
- Replenishment planning—time-phased replenishment of the distributed warehouses with inventory from manufacturing and supplier sources

It was also vital to have well-documented communication links between the functions to ensure that everybody understood what was happening in the business, and to establish a feedback loop to determine and report back on the validity or achievability of the plan.

Gary Brookes says: “These communication links can happen daily, weekly, periodically, quarterly, or annually, but the idea is that few situations should now catch us by surprise.”

Seeing results.

The project yielded surprisingly rapid results. “AB World Foods now has one volume sales forecast for the business which then drives both revenue and margin forecasts,” says Brookes. “Already the business has significantly improved sales/stock risk reporting by integrating demand planning with stock plans.”

The new measures they’ve put in place now deliver significantly improved forecast accuracy. Statistically calculated safety stocks support better current planning systems, while the business has a much better view of the ideal stockholding targets to pursue. Planners can now quickly identify SKUs with excess or insufficient stock.

Overall, all of the teams enjoy a much greater understanding of the combined business. As a result, service levels are improving steadily.

Gary Brookes explains: “Throughout the phased implementation, we have seen some profound benefits. In the case of inventory planning we have already increased our service levels from 91% to 96%. Recently we have surpassed our target of 98.5%. In addition we have reduced our stockholding of finished goods by approximately 20%, a financial saving of over £2m.”

“The sales and marketing teams used to be somewhat out of step with the supply chain operations. We now have a monthly S&OP meeting to ensure we are working together, and we have even made their bonus payments dependent on the extent of their collaboration.”

Doing business better.

The project has delivered clear benefits to AB World Foods in its first phase. However, with Infor’s help AB World Foods has also established a platform for future development, including S&OP across the whole company.

Gary Brookes concludes: “We are pleased with the way that the project has worked out so far. Infor’s professional services and Supply Chain Management software have been key elements in its success. There are some key learning points from the project that we would share with anyone looking to implement a similar project. First, it’s crucial to have the right internal support within the company. In our case the project is sponsored by the supply, finance and sales directors, who expect a formal progress report on a regular basis. Secondly, whilst we looked internally at our operations we also spent time looking at how other companies worked and had approached projects like this.”

The overall benefit of the project to AB World Foods is that its sales and operational planning process now delivers much more accurate results, because predictions are now based on real world data rather than estimates. One forecast now drives the business. This means that AB World Foods can ensure that it services its clients more accurately and acts as a better supplier to retailers. Above all, it increases the trust of consumers and retailers in the predictable availability of the company’s brands worldwide.

About Infor.

Infor is a leading provider of business software and services, helping more than 70,000 customers in 164 countries improve operations and drive growth. To learn more about Infor, please visit www.infor.com.

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