

Cosmetics Company Drives Forecast Accuracy Improvement to Lift Bottom Line

The Challenge:

A global cosmetics company realized the need to improve their demand planning capabilities and after comparing different software options, they selected JDA Demand Planning and JDA Collaborative Planning. With the US market representing the majority of the company's revenue, a risk management decision was made to upgrade the smaller international markets first followed by the US to minimize risk on the critical US project.

With a handful of markets live, the client found themselves struggling to achieve expected results and experiencing poor forecast accuracy and continued excess and obsolete inventory issues. Frustrated with the progress, the company sought outside expertise.

The Approach:

The client chose Spinnaker to evaluate their solution implementation and support the critical US demand planning implementation effort. Spinnaker reviewed the baseline statistical forecasting software configuration and business process previously developed, including statistical modeling, data management including history processing or cleansing, and collaborative processes.

Spinnaker quickly identified that the "one size fits all" strategy used in the original design meant that various parameters were set too generically for the company's needs, resulting in both over and under forecasting situations. Additionally, planners were not well positioned to evaluate forecasting performance and take corrective actions. With the heartburn this was already causing in the smaller markets, a new approach was needed for the US market.

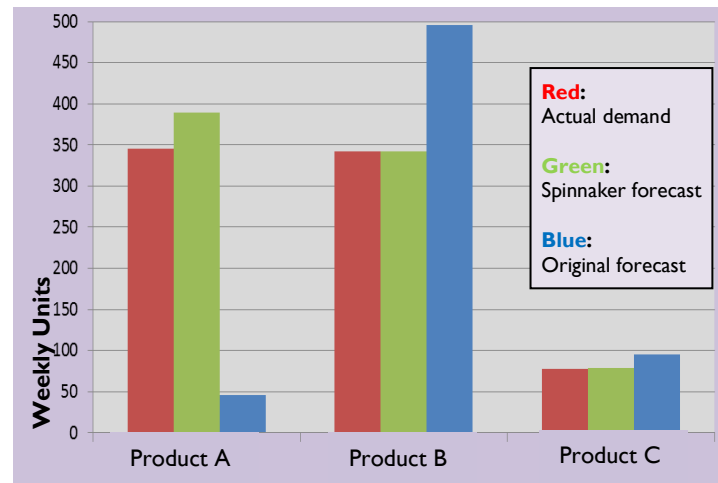
Given the solution was already live in parts of Latin America, Australia, and Europe, Spinnaker was challenged by the client to not only provide a list of recommended changes, but to demonstrate proof that the desired results would materialize. Spinnaker developed a process to evaluate the client data, define segmentation and parameter strategies, and then undertook extensive analytical scenarios using 'ex-post forecasting' (back-casting) to prove the benefits of the recommended changes.

This approach allowed for performance metric measurement to be conducted immediately after each scenario by comparison of the resulting forecast to the already known historical demand. Multiple iterations of comparative analysis (current parameter settings versus suggested settings) were performed. As the demand patterns of products, customers or product-customer combinations varied significantly, Spinnaker showed the client how to segment their portfolio in a manner that each segment received the best default parameters.

The Results:

Spinnaker's efforts and analytical expertise provided the client with the necessary confidence to not only prepare for the US JDA upgrade with relevant parameter settings but to change the parameters and improve forecast accuracy for the markets already live on the software.


The chart shows representative examples of before and after results. Lower volume products did not suffer as badly under the original settings, but the higher the volume, the worse the impact. In this example, one would potentially cause a service failure, the other excess inventory.



The combination of history cleansing and forecasting tuning parameter recommendations yielded an average of 24% improvement in forecast accuracy.

About Spinnaker: Spinnaker is a supply chain services company that helps clients grow, manage risk, reduce costs, and improve customer service by developing world-class supply chain capabilities. Our services help clients develop the right supply chain strategy for their business challenges and implement the process and technology solutions to improve Demand/Supply Planning, Procurement and Sourcing, Logistics and Warehousing, and Reverse Logistics business performance. Spinnaker offers a unique service delivery model that combines the strength of deeply experienced management and technology consultants with a seasoned team of business process outsourcing (BPO) and 3rd-party logistics (3PL) professionals. Founded in 2002, Spinnaker has offices in Boston, Columbus, Denver, Houston, Memphis, Pittsburgh, London, and Singapore.

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