

# Improving the Forecasting and Production Planning Processes

## Situation

A major producer/distributor of household electrical and hardware products suffered from poor customer service, manufacturing bottlenecks and organizational & functional inadequacies. New ownership was disappointed with financial performance and realized that significant improvements were necessary. Customer service metrics hovered below 70% (Orders shipped complete in 3 days or less), and a bloated SKU base included nearly 100 out of stock items. Inventory planning was ad-hoc and the forecasting process was inadequate. Ownership decided that immediate relief to service performance was required. DHC was retained to develop process improvements in the forecasting and planning areas, including organizational recommendations and IT integration.

## Solution

DHC led a client management and other third-party consultants to develop and implement process improvements throughout the organization. With specific responsibility for improvements in Planning, Forecasting and Customer Service, DHC developed and implemented the following solutions for those areas.

Methodologies for SKU Rationalization, ABC Item Classification, Customer Segmentation and Inventory Analysis were developed and introduced to the planning organization.

A replacement for the inadequate demand forecasting application was researched, identified and recommended. Business processes were developed to strengthen the relationship between the Planning, Finance, Operations, Marketing, and Sales organizations. New software was installed and integrated into the business process.

In customer service, system capabilities constricted order flow, reporting was inadequate and associate roles and responsibilities were not mapped for optimal service. A major restructuring of the Customer Service organization was developed and implemented. Several ERP system enhancements to improve order management capabilities were designed and implemented.

DHC was also asked to provide IT management services as an extension of this engagement. A DHC associate was appointed Interim VP of IT, and was responsible for day-to-day operation of the department, reporting to the CEO. DHC also participated in the recruitment and selection of the future incumbent, and provided mentoring and knowledge transfer during the transition.

### Results

Our client was able to significantly improve customer service as a result of the improvements implemented. Compared to the same period one year ago:

- Orders shipped complete within 3 days improved to 98%, a 40% improvement.
- Active SKU base was reduced by 37%, dramatically reducing working capital and activity costs in support of unproductive items.
- Number of Items out of stock was reduced to 2, a 97% improvement.