

**eyeon**

**YEARS AHEAD**



# Improve your business performance through effective forecasting

Masterclass, FM Club

Joost Rongen

ALEX VAN  
GRONINGEN

# Introduction



## Joost Rongen

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## About EyeOn

40 Specialists in realizing forecasting and planning improvements

- Focus on design and implementation
- System independent
- Line management experience (f.e. Sales, SCM & Finance)
- Cross functional & hands-on mentality

# EyeOn's industry references

## High Tech

ASML



NXP

TOMTOM

BOSCH



PHILIPS

Electrolux

ERICSSON

HARMAN

DAMEN

Alcatel-Lucent

VanDekker



## FMCG

Coca-Cola

JUMBO  
elke dag beter

Heinz

MARS



VION  
FOOD GROUP

Heineken

Bavaria

ROYAL  
COSUN

VEZET

Ad van Geloven

Lamb Weston

Sligro

Unilever

## Process



Cargill

Euramax

سابك  
sabic

DEXPLASTOMERS  
A BAKELAND CHEMICAL JOINT VENTURE

ROCKWOOL

kemira

EASTMAN

WW EuroValve

Bonar  
profiets in performance

TANATEX  
CHEMICALS

lyondellbasell

MEHLER  
TECHNOLOGIES

Corbion

## Life Science

Edwards

ST. JUDE MEDICAL  
MORE CONTROL. LESS RISK.

ÖSSUR  
LIFE WITHOUT LIMITATIONS

PHILIPS

stryker

Drägermedical  
A Dräger and Siemens Company

janssen  
Janssen Pharmaceutica

MEDIQ

Allergan

aspEN  
SOLUTIONS

gsk  
GlaxoSmithKline

astellas  
Leading Light for Life

MSD

Abbott  
A Promise for Life

## Other

DIALOG  
Dutch Institute  
for Advanced Logistics

vodafone

DAGBLAD DE LIMBURGER

Teleplan

tias  
BUSINESS SCHOOL

WEGENER

ORDINA

TNT

máxima  
medisch centrum

B  
BARITHOES

vroouw  
moeder  
kind  
centrum

# Agenda

1. Fundamentals of forecasting & supply chain planning
2. How effective forecasting improves your business performance
3. Key take aways

## Objective of Forecasting & Planning



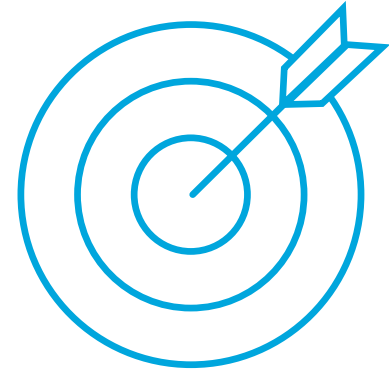
1

Get issues on the  
radar screen early



2

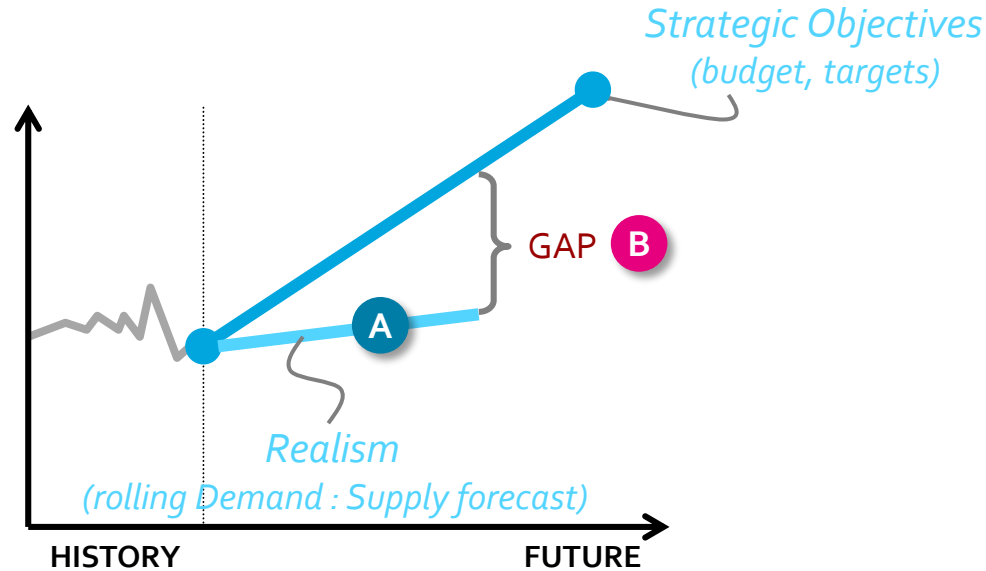
Decide on  
corrective actions



3

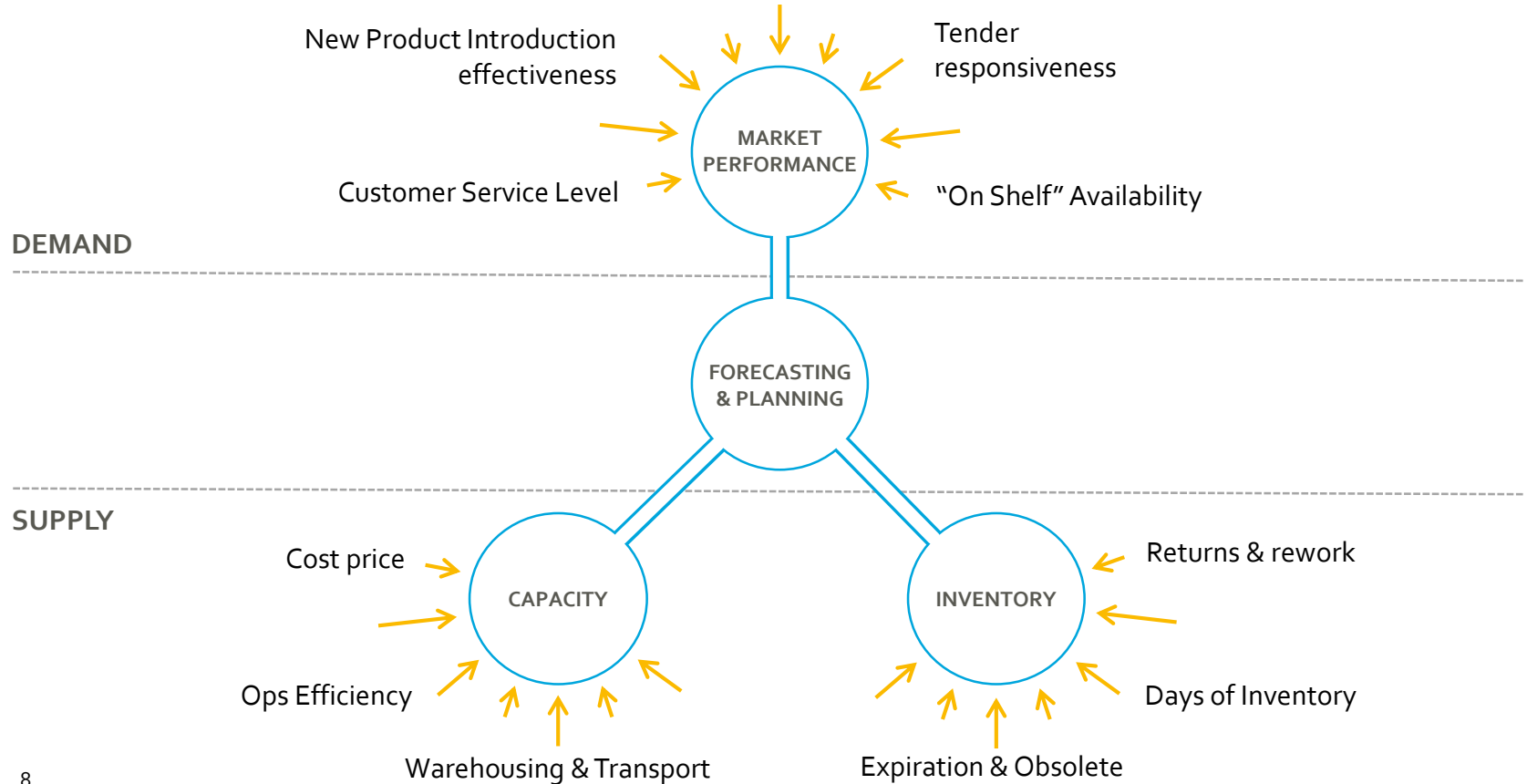
Achieve strategic  
business targets

## Closing the gap



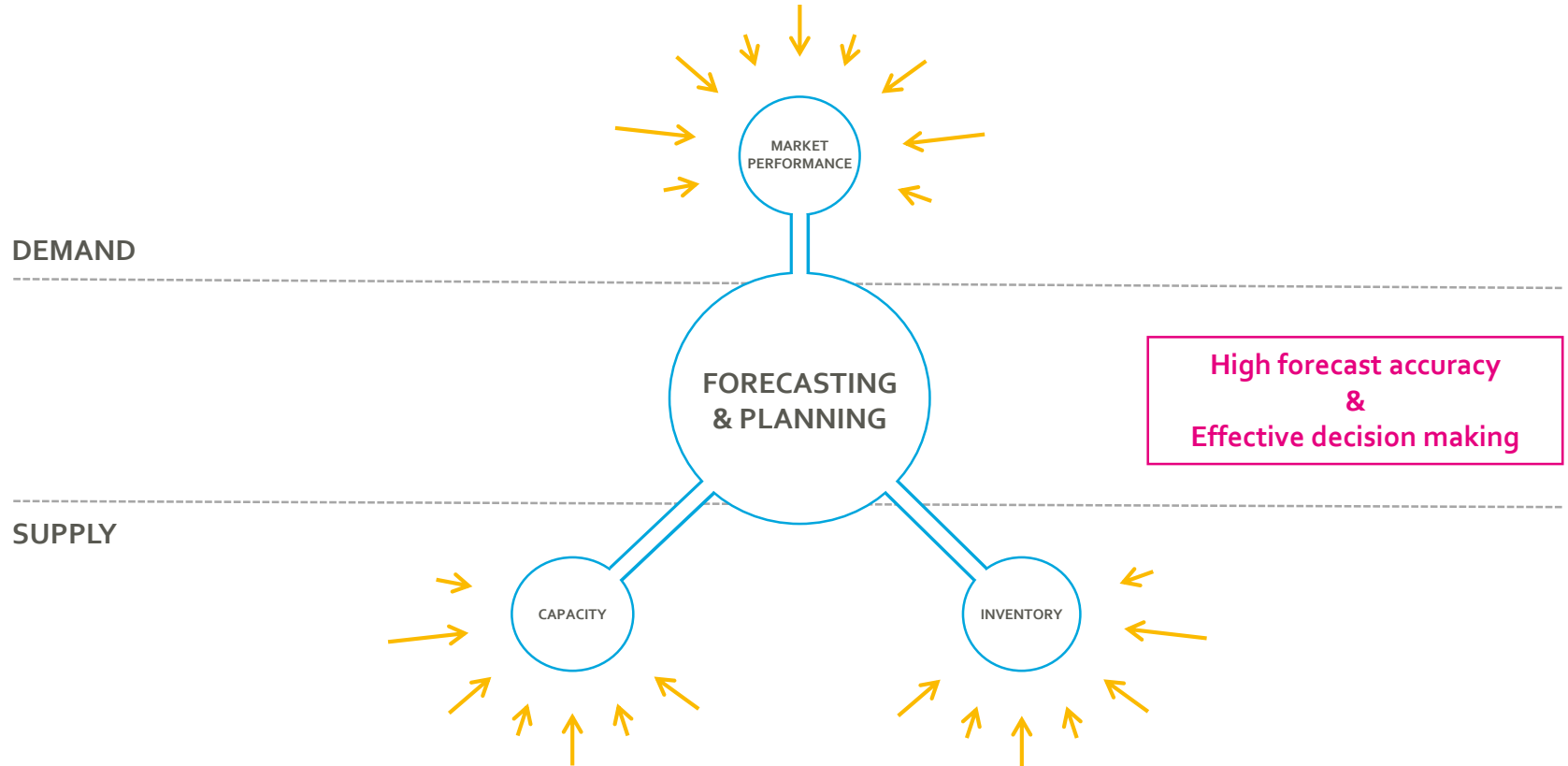
- A** Optimise the Demand / Supply balance – create **ONE agreed forecast**
- B** Manage, and close, the **GAP** between *Realism* and *Strategic Objectives*

# Pressure on Forecasting & Planning is increasing





## Pressure on Forecasting & Planning is increasing



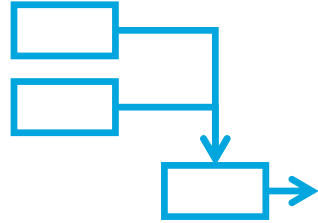
# Effective Sales and Operations planning: 12 building blocks



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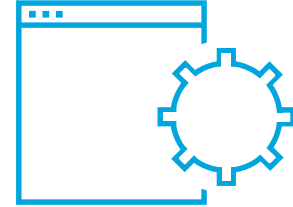
# Improving business performance



**PROCESS**

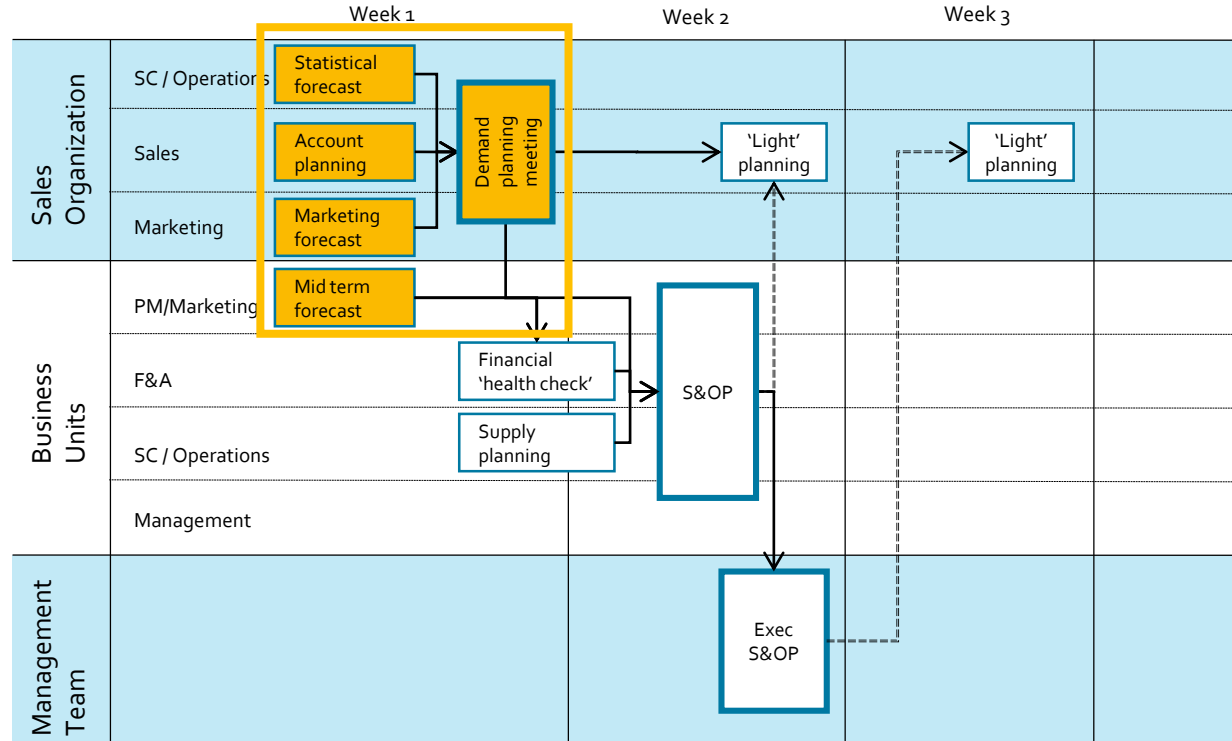


**ORGANIZATION  
& PEOPLE**

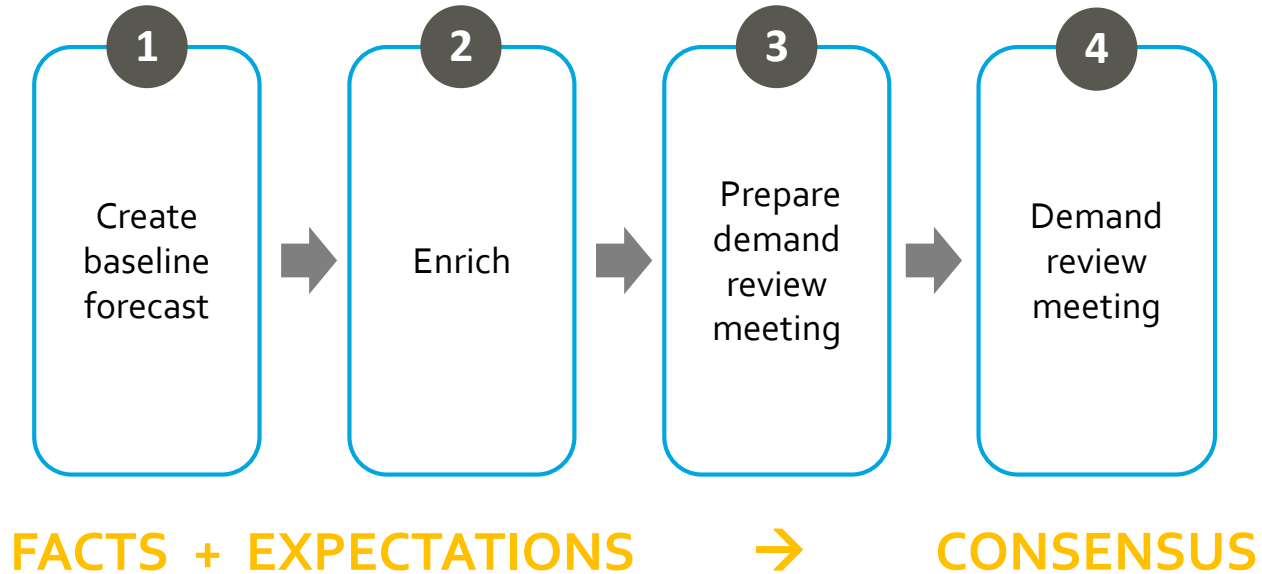


**TOOLS**

# Forecasting A structured process...



## Forecasting ...with clearly defined process steps



## It starts with a statistical forecast

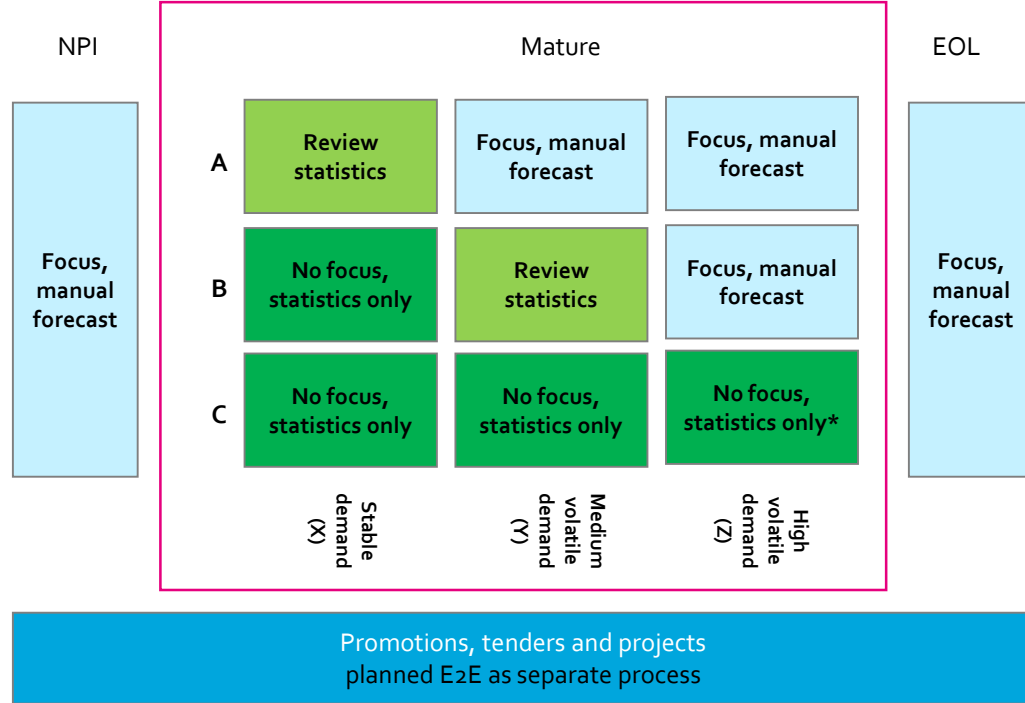
Why?

- Objective (not playing games)
- Generates many forecasts very fast
- Allows scenarios and comparison
- Gives insights (from the past)

→ Increase of **EFFECTIVENESS** and **EFFICIENCY**

## Differentiated approach in forecasting

**Use statistics as base, focus enrichment only where it adds value!**

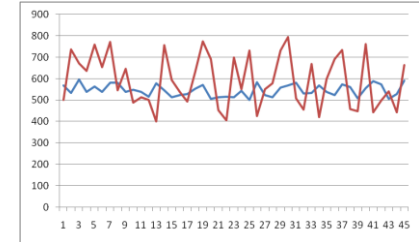
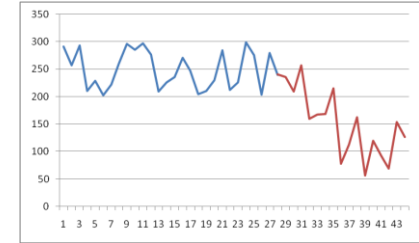


\*via inventory strategy



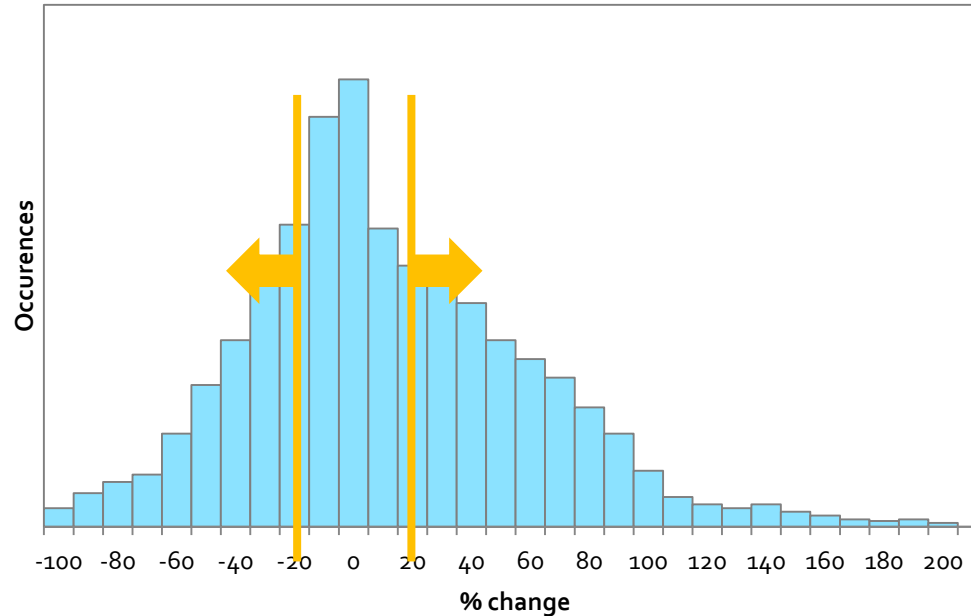
# When does statistical forecasting work?

1. **Key assumption: the future will behave like the past**  
Events and promotions, seasonality and trend can be forecasted.  
If behavior changes, statistical forecast accuracy will drop.
2. **The forecast is always wrong**  
Achievable statistical accuracy depends on magnitude of noise.  
Not forecastable uncertainty is managed by inventory / flexibility.
3. **Data needs to be available & accurate**  
Statistical accuracy depends on maintenance & cleansing of data.



## Enriching the baseline forecast

### Focus on relevant adjustments only



Planners tend to make adjustments because it is their job!

Source:  
Goodwin et al, 2010

## Link between Forecast Accuracy, Service Level and Inventory

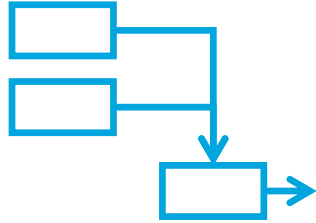
	Laggards (Accuracy <65%)	Followers (65% - 80%)	Leaders (>80%)
Performance			
• Service	92%	94%	95%
• Stock (in weeks)	7.4	5.6	4.1

**Forecast leaders with a higher forecast accuracy  
have better service and lower stocks**

Source: EyeOn DP benchmark (2015),

Sample = 125 multinational companies in Medical Device, Pharmaceutical, High Tech, Process and FMCG industry

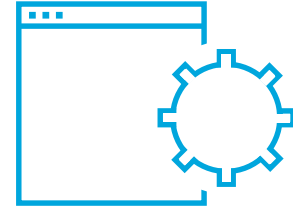
# Improving business performance



PROCESS

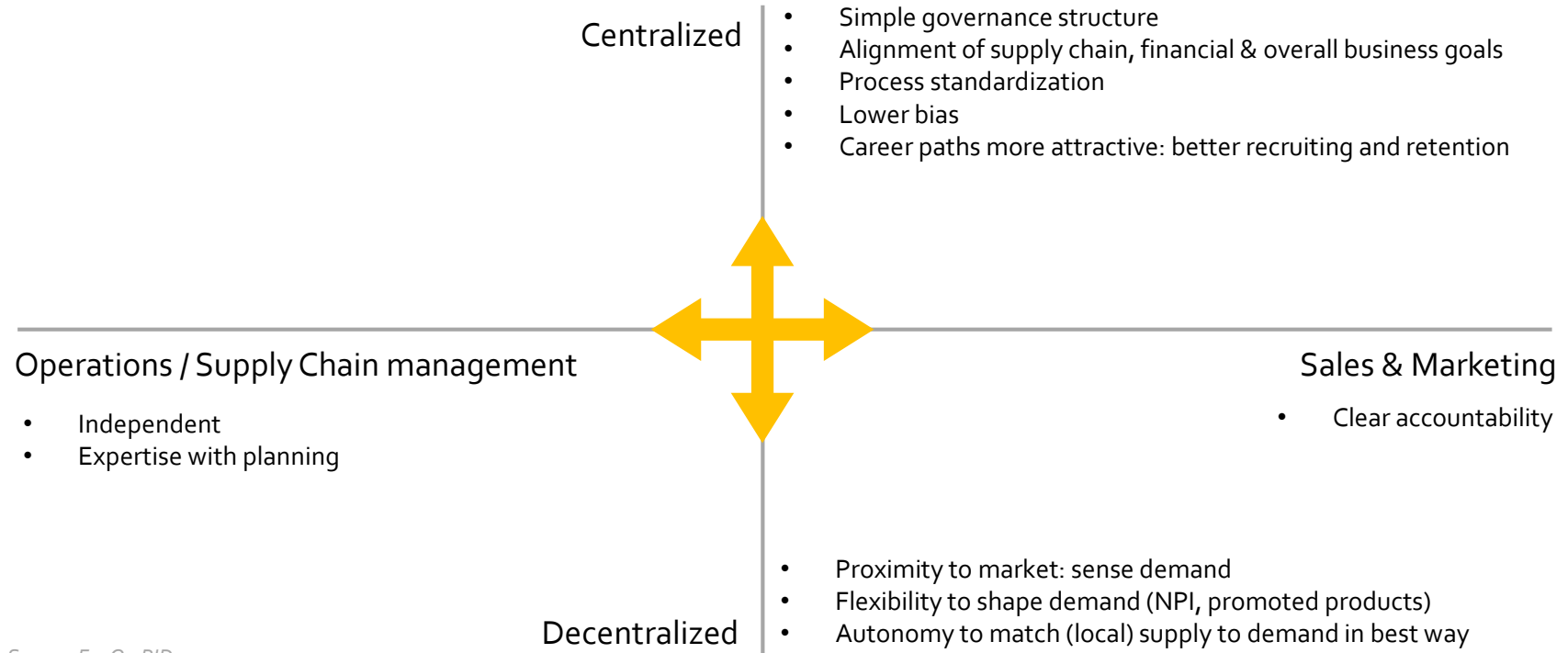


**ORGANIZATION  
& PEOPLE**



TOOLS

# How to organize your demand planning organization?



Source: EyeOn PID 2015

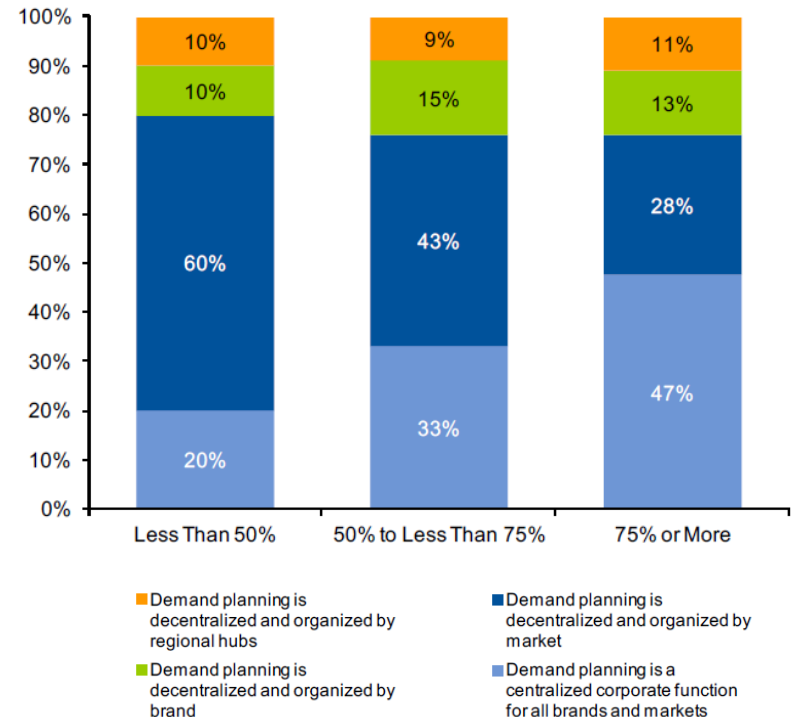
# Research shows significant better forecast accuracy for centralized demand planning

Because of:

- Dedicated focus, more planning expertise
- Less behavioral issues, less local political influence
- Better cross-functional alignment

But :

Demand planning organization should fit business dynamics and portfolio characteristics

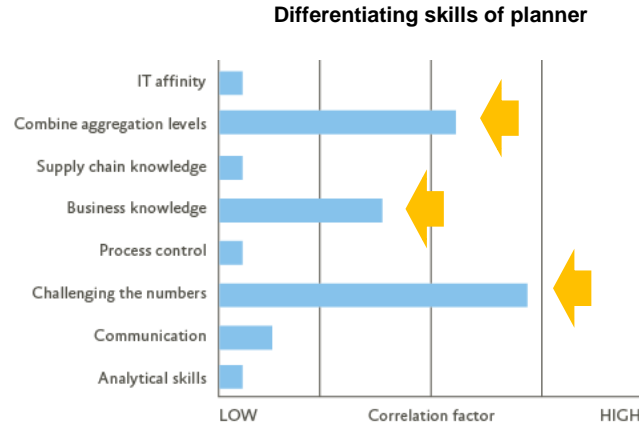


Source: Gartner

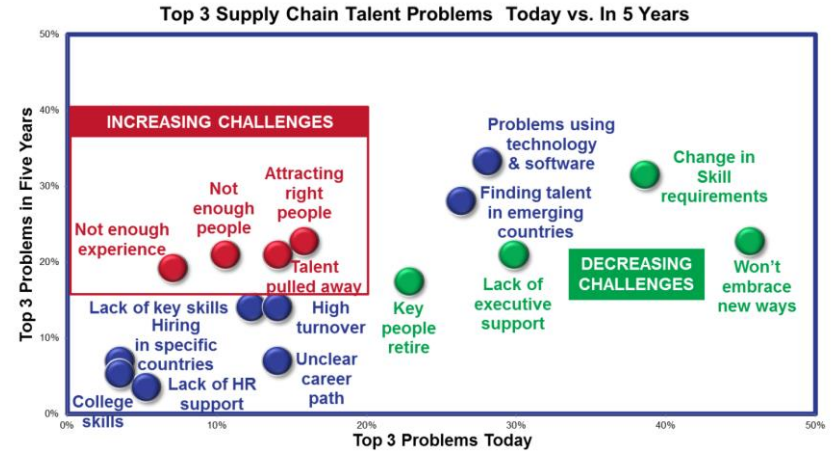
Sample = 232 multinational organizations

# Skills of planners are key to improve plan accuracy

## Battle for talent is expected to become fierce in coming years



Source: EyeOn DP benchmark, 2015



Source: Supply Chain Insights LCC, August 2015

# Centers of Excellence in planning: Opportunity to accelerate learning and lower cost via outsourcing

Many companies are considering set-up of Centers of Excellence for planning

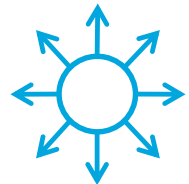
- Supply Chain network optimization
- Statistical forecasting and Demand management
- Supply Planning and Inventory management

Centers of Excellence can be organized:

- Centrally, within function
- As part of (x-functional) shared service center
- Outsourced, to specialized 3rd party service provider

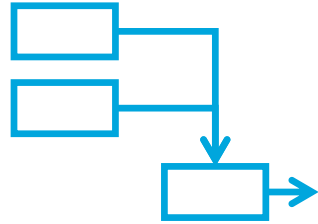
Outsourcing of planning activities to specialized 3<sup>rd</sup> party service provider:

- accelerates learning & innovation, due to access to high skilled resources
- creates competitive advantage & flexibility
- lowers cost (head count, HR cost)





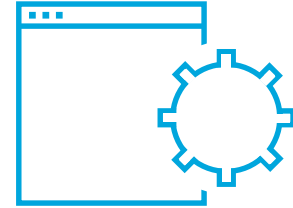
# Improving business performance



PROCESS

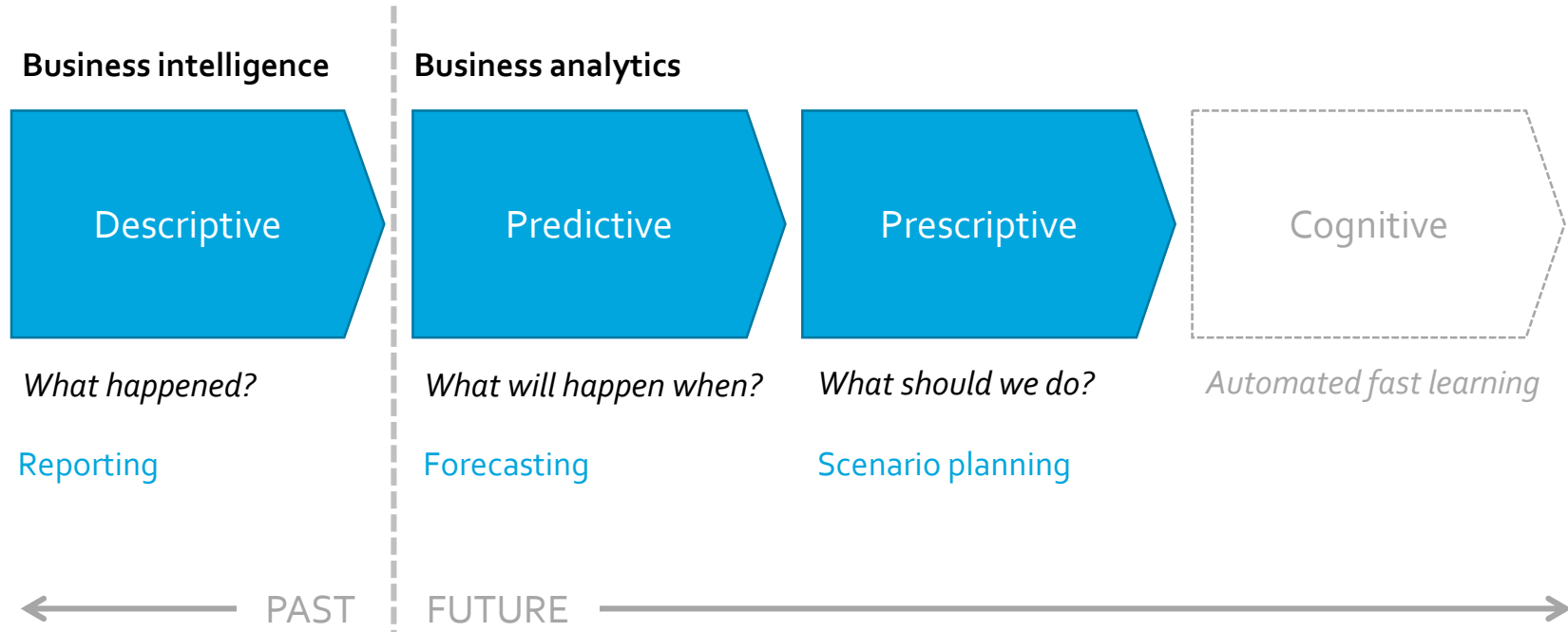


ORGANIZATION  
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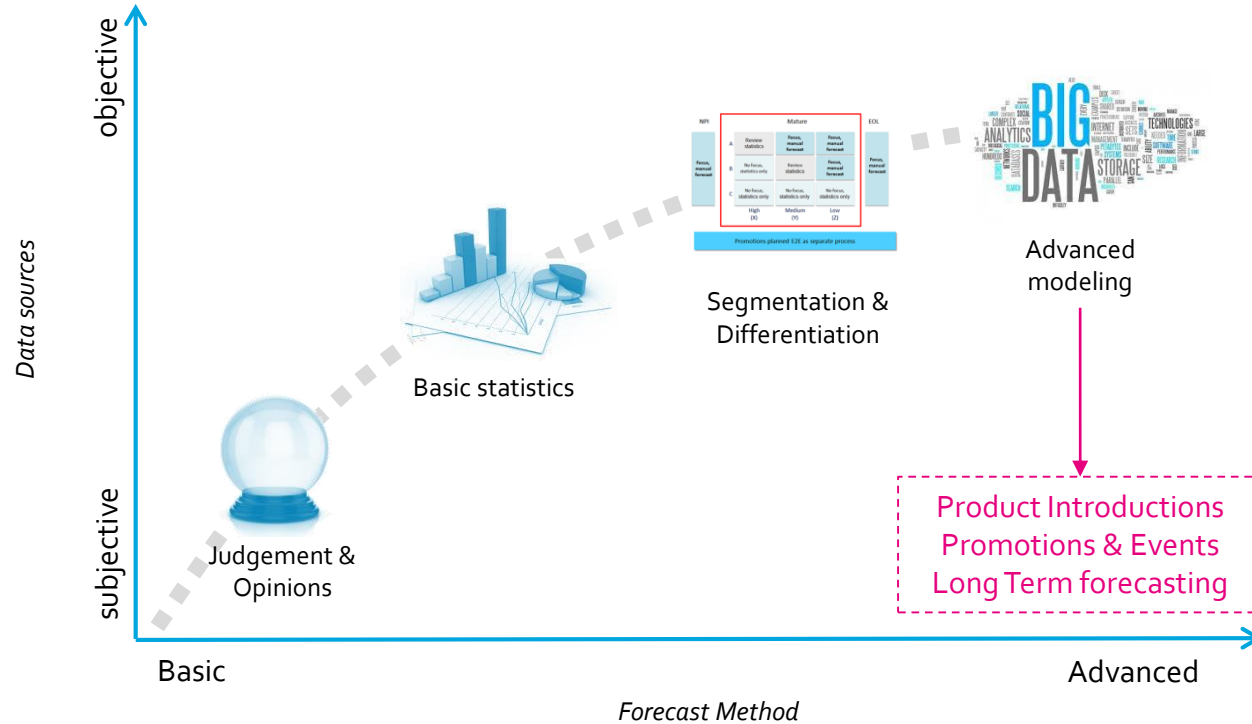


TOOLS

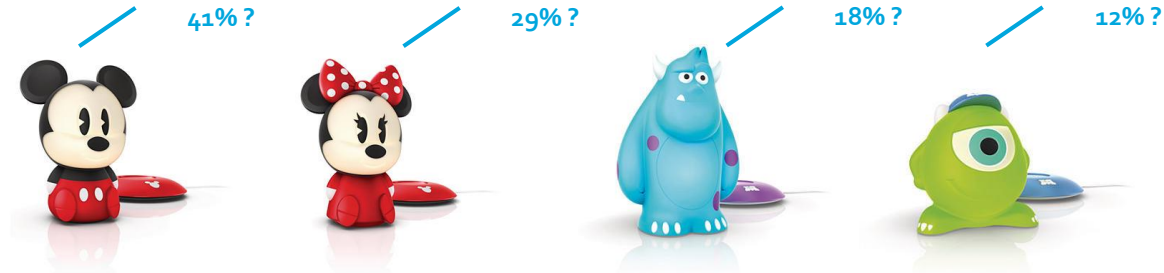
# Business intelligence $\neq$ business analytics: from information to insight



# Forecasting technology develops rapidly



## Example: social forecasting



Forecast the sales for each of these characters



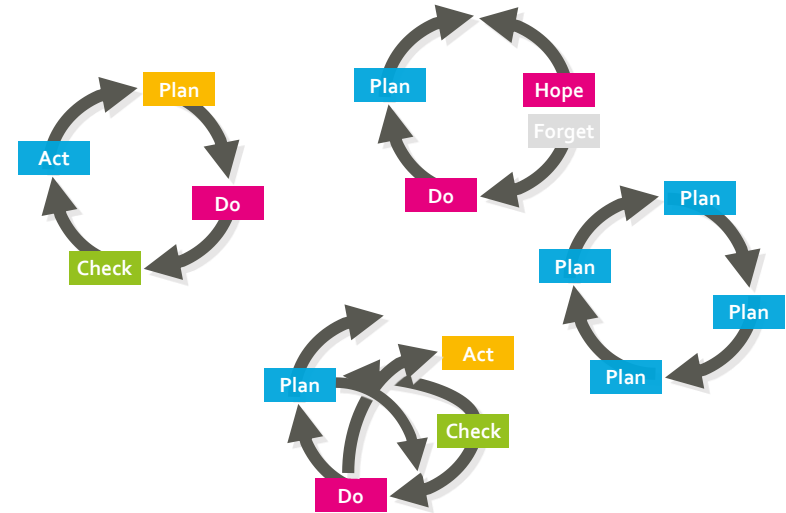
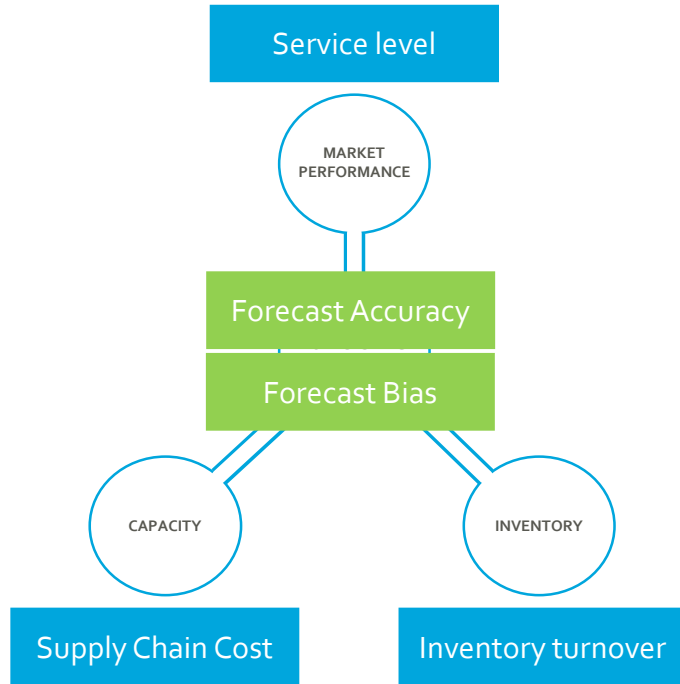
Forecast the sales for each of these colors



# Support demand planning process with tools that suit business dynamics & complexity



# Measure & monitor key value metrics: Continuous improvement contributes most to forecast accuracy improvement



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# How effective demand planning improves your business performance

## 1. Embed a structured, differentiated Forecasting & Demand Management process

- Define clear process steps, assign responsibilities and integrate into regular S&OP cycle
- Use statistics to forecast baseline demand: improve process efficiency & effectiveness
- Focus manual enrichment where it adds value; make only relevant changes

## 2. Organize for future planning excellence

- Consider centralization of planning activities, when it fits your business & portfolio characteristics
- Invest in skills of planners to make the difference: challenging of numbers & business knowledge
- Outsourcing of forecasting activities accelerates learning & innovation, creates flexibility and lowers organizational cost

## 3. Accelerate improvement with tools & key value metrics

- Move from information to insight: advanced modeling adds value in planning of NPIs, events and long term forecast
- Support your planning process with tools that suit your business dynamics and complexity
- Improved forecast accuracy & bias, drives higher service level, lower cost and increased inventory turnover





# Q&A

Visit us at [www.eyeon.nl](http://www.eyeon.nl)

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## EyeOn offering





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