

Production Planning to Meet Sales Demand

Don't Run Out

Don't Have Too Much

Plan Demand not Supply

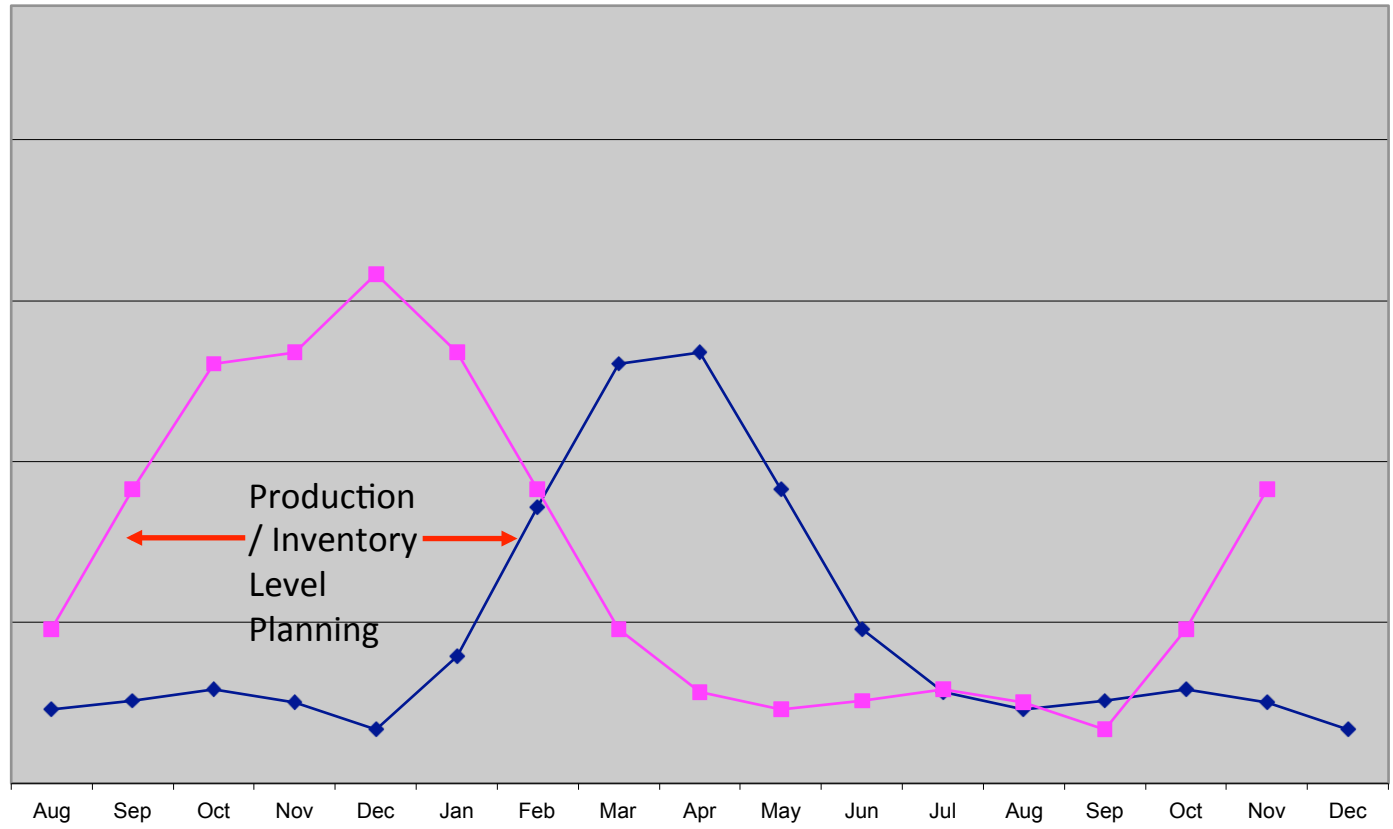
Legacy Approach

One sales revenue budget published annually

Production was planned independently at each shipping warehouse

Purchasing had to somehow figure out how to span the gap between revenue budget and production to plan bag purchases.

Inventory Volume compared to Sales Volume



◆ Sales Units
■ Inventory Units

The Fundamen tal Concept

Develop, implement and execute a disciplined approach to inventory-related decisions.

New Approach

Plan

Plan Demand not Supply

- Let the computer tell you what, how much and when to buy

Shift

Shift emphasis

- to improving demand estimate
- Focus on improving item attributes
- Incorporate vendor performance

New Approac h

One sales
revenue
budget still
published
annually,
and...

Required to generate budget revenue, plan activity levels, bank relationships

The revenue budget is no longer the basis for planning production and purchasing

Use ERP “bolt-on” to generate statistical sales forecast from history.

Fledgling Sales & Ops planning has commenced

About ERP

1

Don't know what that means? Don't worry I can define it for you-

2

The software that you use everyday that never does quite what you want the way you want to do it.

3

It's propped up with a concoction of Excel sheets and maybe Access

4

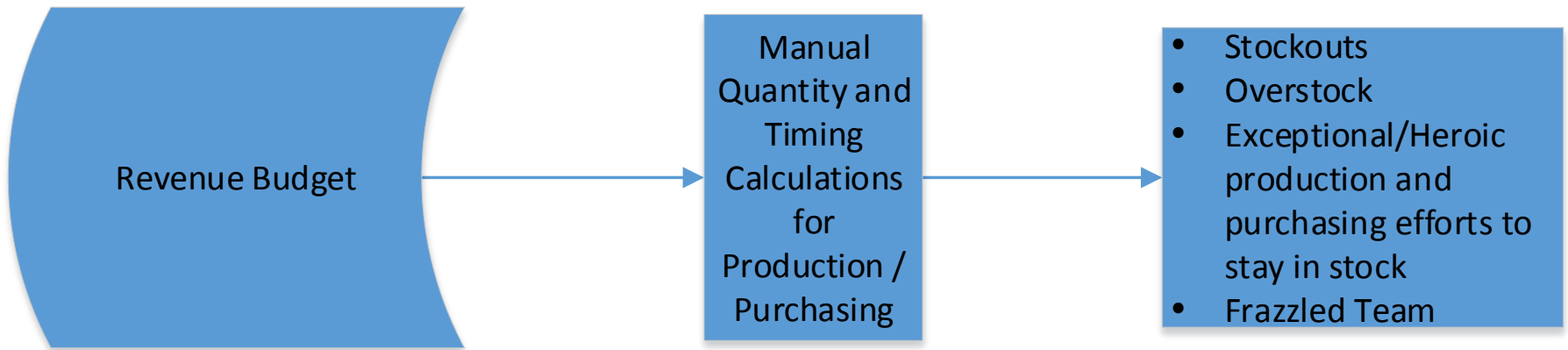
And somewhere, in the ethereal cyberspace is the perfect system.

New Approach

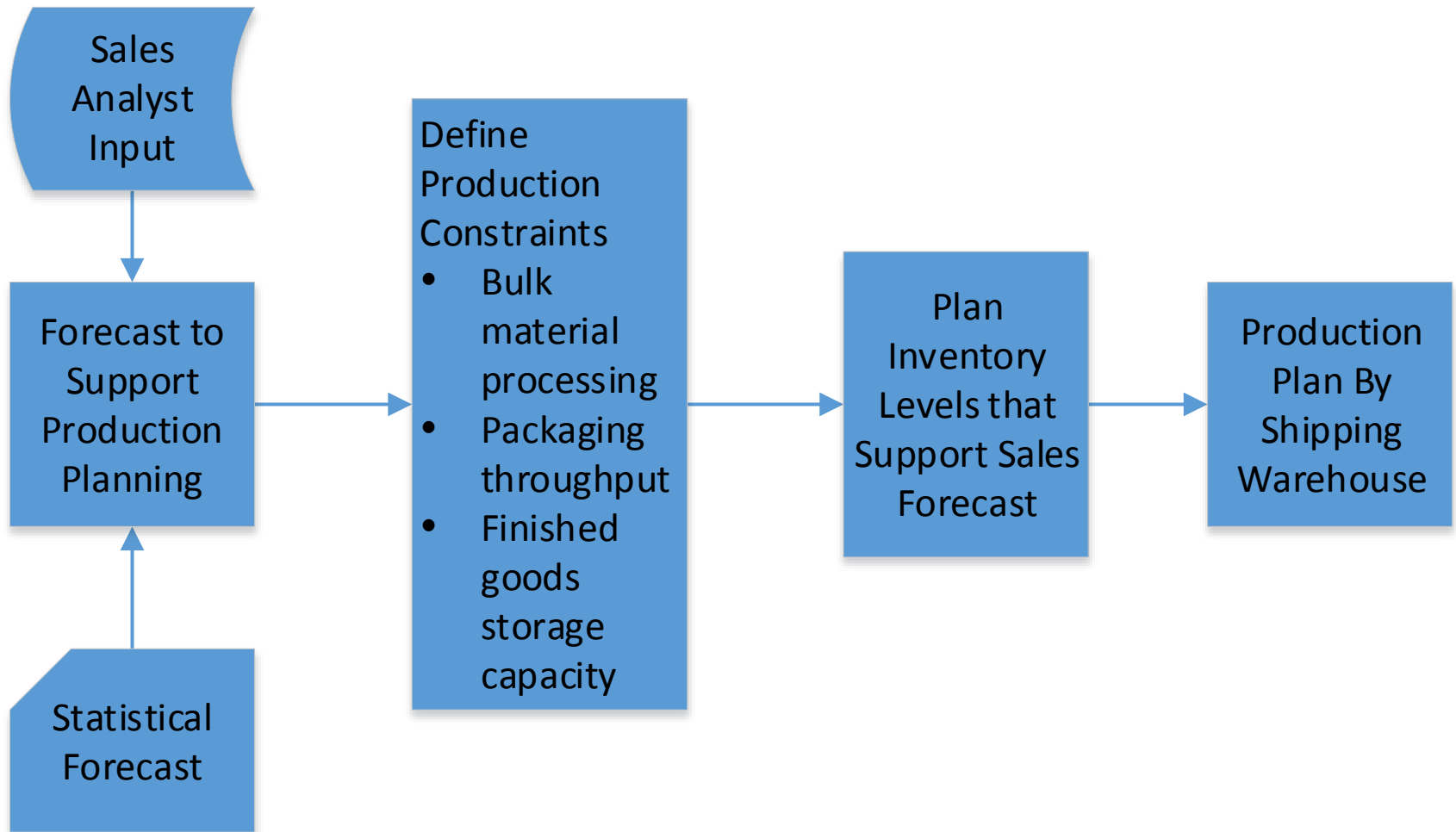
**Production is
planned
centrally for
each shipping
warehouse.**

- Weekly, Monthly production plan, not daily
- Kellogg ERP system can't connect sales with inventory levels with production and production constraints.
- So we had to build our own model that accounts for production constraints while building inventory projections that meet sales demand.

Legacy Approach



New Approach



Keys to Success

Ops organization in great pain and ready for a better way

Had to figure out the better way being constrained by ERP system

We had to invest in

A new planning/forecasting connection was made with sales team

A new position in the organization, Master Planner

Purchase New software, develop own

Training / Set Expectations

Monitoring KPI's

Plan Demand, not Supply

Shift

attention to improving the forecast using statistical tools based on history, adjusted with external knowledge.

Connect

the production plan methodically with the sales forecast, aligning with constraints

Focus

On making each attribute of the item and its supplier(s) as accurate as possible using the statistical power above