

Danone Food & Beverage



Project and Objectives

Danone offers a wide range of fresh healthy food products impacted by trade promotions and media events. More than 30% of their volume is sold on promotional offers (discounts, leaflets, displays, hostesses, etc.), accounting for nearly 70% of forecast inaccuracy. Danone also spends a lot on media advertising, which significantly impacts sales and forecasts.

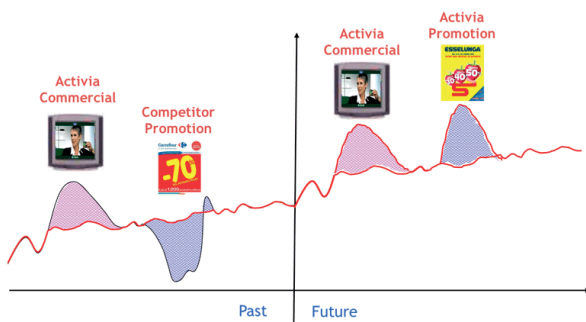
Danone's forecasting, planning and execution for these promotional and media events was somewhat ad hoc. Four functional departments: sales, demand forecasting, account planning and finance had trouble properly coordinating and communicating their goals, plans and expected outcomes, producing uneven results and unpredictable emergencies.

Danone wanted to create a more reliable demand forecasting platform that would consistently predict the actual impact or "lift" to baseline demand from trade promotions and media events and then facilitate the required complex inter-departmental coordination. Predicting this impact posed a daunting problem, since it involved a large number of variables with complex interactions, buried in huge amounts of data with a high degree of noise. Even with substantial expertise and inter-departmental coordination, it was extremely difficult to understand the correlations among all the variables.

When Danone launched their Disc'Over project, they looked for a partner who could provide technology to identify the shared characteristics of promotional and media events and predict their lift on baseline sales, Danone chose ToolsGroup. The ToolsGroup system uses machine learning technology to analyze demand variability and improve demand planning. The new forecasting capability proved to be a key functionality for not only improving the forecasting process, but also for creating an effective planning process between marketing, sales, account management, supply chain and finance.

Danone is #58 on the Forbes list of most powerful brands. They are one of the fastest-growing food companies in the world, with a global presence in over 120 countries on five continents. In 2010 Danone had more than 160 production plants and around 100,000 employees, generating sales of \$22.6 billion. The group holds top positions in healthy food through four businesses: ranks #1 worldwide in fresh dairy products, #2 in bottled water and baby nutrition, and is Europe's #1 medical nutrition company.

Advertising and promotions are the main variables able to influence the baseline



...Day to Day

For Sales and Marketing, the new system provides reliable detailed modeling of trade promotion uplift. It allows campaign operational planning in which the promotion and media event is allocated to the account and provides support to customer plan definition for key accounts.

For Supply Chain, it improves efficiency and inventory balance, allowing them to satisfy promotions and media uplifts with timely production and balanced inventory deployment to achieve the target service levels for detailed (channel/store level) supply chain execution.

Employs demand sensing to incorporate POS feeds from Danone's largest customers, hypermarkets.



Results and Benefits

Danone improved performance across a range of business metrics from front-end forecasting to back-end production planning, including:

- A quick and dramatic 20% reduction in **forecast error**, increasing **forecast accuracy** to 92%
- A 30% reduction in **lost sales**, increasing **service levels** to 98.6%
- A 30% reduction in **product obsolescence**
- A 6% increase in **Net ROI**, improved further to 8% the next year
- A 36% improvement in net uplift from promotions, improved further to 55% the next year
- Demand planners workload reduced by 50% and refocused to higher value-added activities
- As of this writing, exceeded service level target of 98.7% for 37 consecutive months in a row

Beyond the numbers, the implementation established not only a robust execution foundation, but also a platform for trade marketing's and the account teams' ROI and "What If" planning, enabling continued investment efficiency and responsive to changes in business objectives.

About ToolsGroup

ToolsGroup is an innovation partner for companies who want to achieve highly accurate forecasts, outstanding customer-service levels and less global inventory. An expert in "Powerfully Simple" supply chain planning, we offer software that analyzes demand history across multiple dimensions so you can achieve the most reliable forecast and inventory targets for mastering demand volatility and delivering service level excellence.

Our innovative and advanced technologies enable you to improve and automate your planning processes. Our solutions span key supply chain planning areas such as Demand Planning, Demand Sensing, Promotion Forecasting and Inventory Optimization.

We have more than 250 customers worldwide and one of the highest customer retention rates in our industry. Our experience includes manufacturers, wholesale distributors and retailers in a wide range of demand and inventory driven industries.

Please visit our website at www.toolsgroup.com and click on "About Us" for a list of our offices throughout the world.

