

## Höganäs Industrial Products



- Deployed “Demand Collaboration Hub” globally
- Transformed global demand forecasting in 7 months
- Rolled out demand planning and inventory optimization to 85 countries

### Project and Objectives

Höganäs is the market leader in a unique industry that transforms raw iron and metal powders into roughly 5000 highly specialized powder products for filters to gear boxes applications. Its largest market is automotive, which Höganäs serves in every major country. Just-in-time pressure reverberates throughout the automotive supply chain, yet inventory availability and delivery is crucial. No supplier wants to be responsible for halting the assembly line.

The 2008 global economic recession changed market forces in the metals powder industry dramatically: customers became increasingly cost-conscious, commodity metal prices became highly volatile, and emerging markets like India and Brazil became big growth opportunities. The changing market forces combined with the complexity of having to produce and deliver different custom products to each market, meant that Höganäs needed really accurate sales forecasts to maximize revenues while minimizing inventory costs.

Demand varies greatly within each country depending on factors like environmental regulation, economic strength and consumer preferences. So Höganäs relies on its team of fifty global salespeople to read the local demand signals and develop sales forecasts.

The company’s incumbent sales forecasting system had developed organically over time, merging components of Excel, Cognos and QlikView.

Höganäs AB is the world’s leading producer of iron and metal powders. Building on its clear vision of the possibilities of powder to improve efficiency, the consumption of resources and environmental impact across a raft of segments, the company has developed in-depth application skills. Thus Höganäs can help create the automotive components, white goods, and water and exhaust treatment products of the future in collaboration with its customers. Founded in 1797, the company has annual sales of \$1 Billion.

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**Ralf Carlström,**  
Global Sales Director,  
Höganäs



However, the system's information did not extend beyond sales and marketing to penetrate into other supply chain processes like inventory planning. It also required considerable manual work and guesswork on the part of the sales team. The result of all these factors was that Höganäs was carrying too much stock in its global supply chain and forecast errors were unacceptably high. In 2012, Höganäs Management team decided it was time to migrate to a system that was faster and more accurate and would help lower inventory by ten percent across the board. It also wanted a system that it could tie into a new global sales and operations planning process.

Having previously experience from global roll-outs of ERP and CRM software at Höganäs, Ralf Carlström, Höganäs Sales Director and his team had the advantage of starting out with sound business processes and clean data.

After evaluating four alternatives, mainly from large vendors, Carlström called upon trusted partner Otilon, which had previously supported its ERP software implementation. Otilon recommended ToolsGroup's SO99+ software for Demand Forecasting. And since multiple salespeople would be contributing to the forecast from around the world, Otilon suggested complementing it with ToolsGroup's Demand Collaboration Hub, an easy-to-use environment in which even inexperienced users can contribute to forecast planning.

#### ....Day to Day

The project started in May 2012 and was live by November - extremely fast for a global software roll-out spanning 85 countries. Carlström commented, "Having had direct experience leading other global enterprise software implementations for Höganäs, this has been the smoothest one so far. It's really due to the fact that the software is very user friendly combined with clean data."

Höganäs initially asked Otilon to build a pilot to test the system using data for China only. After this, it was decided to go global in one 'big bang'. He elaborates, "We went for a large global roll-out right from the outset rather than tackling it in small pieces. This was possible because the system was easy to learn and we didn't need to make local changes to it. Salespeople from all the different markets took part in the implementation so now they are bought into it and fully trained."

#### Results and Benefits

So far the system has halved forecast errors and also sped the reporting process up by at least 50 percent, freeing up salespeople's time and providing them with much better information. This has become very apparent in the monthly Sales & Operations Planning (S&OP) meetings. According to Carlström, "We can now run interim monthly reports between the quarterly reports that provide very rich, useful data by region. Each person now leaves these meetings with a much clearer picture of what needs to be accomplished."

Höganäs and Otilon are currently rolling out the second phase of the project, which includes inventory optimization using ToolsGroup software and warehouse optimization.

#### 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 inventorydriven industries.

Please visit our website at [www.toolsgroup.com](http://www.toolsgroup.com) and click on "About Us" for a list of our offices throughout the world.

