Improved Forecasting of Products with Microorganisms

BACKGROUND:

Launched 2010:
- 9 Formulas
- 18 skus
- 2 Year Shelf Life
- Seasonal Business – March to September
- FY11 Rework ~ $300k

Company Confidential

CURRENT CONDITION:

Forecasting:
- 4-month process
- Multiple hand-offs
- Most time spent waiting for information

<table>
<thead>
<tr>
<th>NO.</th>
<th>STEP DESCRIPTION</th>
<th>NOTES</th>
<th>Average Time</th>
<th>Visit Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Demand Planning gathers previous year data and actual shipments to June</td>
<td>Use forecast for balance of year. No input from Sales</td>
<td>4 hrs</td>
<td>2 wks</td>
</tr>
<tr>
<td>2</td>
<td>Planning review with Demand Fulfillment</td>
<td>Usually back-and-forth process</td>
<td>2 hrs</td>
<td>2 wks</td>
</tr>
<tr>
<td>3</td>
<td>Planning adds 3% growth assumptions from Finance and Executive Team</td>
<td>Expect in July but can be late</td>
<td>1 hr</td>
<td>1 month</td>
</tr>
<tr>
<td>4</td>
<td>Planning recovers with Fulfillment and initial forecast is set</td>
<td>Waiting for final approval from Executive team</td>
<td>1 hr</td>
<td>2 months</td>
</tr>
<tr>
<td>5</td>
<td>Forecast is approved. Product is ordered</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Protein commodity pricing peaks October – December

Company placing order in early October when forecast complete and new fiscal year begins

Not capitalizing on low cost of raw materials during off-season

Problem Statement:

Due to the long lead-time in the forecasting process the company is unable to capture optimal raw material pricing. There is a need to shorten the lead-time and make early commitments to the suppliers so they can capture lowest possible commodity pricing during the off-season.

Goals:

- Improve Communication Planning, Sales & Marketing
- Reduce Inventory to 10%
- Implement Standard Work
ANALYSIS:

TARGET CONDITION:

**FORECAST TIME:** 9 hrs  
**PROCESSING TIME:** 4.1 days  
**FORECAST LEAD TIME:** 4 wks  
**PRODUCTION LEAD TIME:** 2 months  
**OBSERVATION TIME:** June 2012

<table>
<thead>
<tr>
<th>NO.</th>
<th>STEP DESCRIPTION</th>
<th>NOTES</th>
<th>Average Time</th>
<th>Wait Time</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Demand Planning gathers previous year data as actual shipments with input from Sales. Use forecast for balance of year. With input from Sales.</td>
<td></td>
<td>4 hrs</td>
<td>1 wk</td>
</tr>
<tr>
<td>2</td>
<td>Demand Planning and Demand Forecast conduct consensus meeting</td>
<td></td>
<td>2 hrs</td>
<td>1 wk</td>
</tr>
<tr>
<td>3</td>
<td>Planning adds % growth assumptions with input from finance, sales and marketing</td>
<td>All stockholders must attend.</td>
<td>1 hr</td>
<td>1 wk</td>
</tr>
<tr>
<td>4</td>
<td>Consensus meeting held with planning, sales, marketing and finance to finalize forecast</td>
<td></td>
<td>2 hrs</td>
<td>1 wk</td>
</tr>
<tr>
<td>5</td>
<td>Forecast is approved. Product is ordered</td>
<td></td>
<td>1 hr</td>
<td>1 month</td>
</tr>
<tr>
<td>6</td>
<td>Production occurs at Sanctuary / product ships to Dispatch</td>
<td></td>
<td>2 days</td>
<td>2 wks</td>
</tr>
<tr>
<td>7</td>
<td>Dispatch packages material and ships to distribution</td>
<td></td>
<td>2 days</td>
<td>2 wks</td>
</tr>
</tbody>
</table>

PLAN:

- **Capture Current Process Conditions:** 2 wks  
- **Analyze Current Conditions:** 3 wks  
- **Incent Workshop - Bill Work - Forecasting:** 3 wks  
- **Begin Forecasting Process:** 4 wks  
- **Product Ordered:** 1 day  
- **Production Begins:** 4 wks

Production delayed until equipment installation complete.