

SUCCESS STORY



Integrated Business Planning with ADD*ONE

International sales planning and inventory optimization at Emmi

Specialized software for sales planning and inventory optimization from the Aachen-based developer INFORM allows for a cross-location Integrated-Business-Planning-(IBP)-process at Emmi. The group is the leading Swiss manufacturer of dairy products. It is transforming its company-wide decision-making and planning processes with the help of the intelligent optimization software ADD*ONE. The system brings together all the information along the supply chain and integrates sales, inventory, supply chain and financial data into a single planning process. Using the algorithms of the add-on software, Emmi calculates and plans its range of more than 6,000 products produced in Switzerland, 18 months in advance, and thus realizes considerable cost savings.

When do we need which quantity of which article to optimally cover the demands and how can this be achieved cost-effectively? These are the questions Emmi employees deal with at, among other places, its headquarters in Luzern. In addition to its home market in Switzerland, the Group supplies around 60 countries worldwide from there with a focus on Western Europe and North America. Independent subsidiaries are active in 14 countries. As a supplier of fast-moving products (FMCG - fast moving consumer goods), the Group considers the breadth of its product range as one of its success factors, in addition to continuous innovation and very fast time-to-market.

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Lukas Fischer, Head Integrated Business Planning at Emmi

About EMMI

Emmi is the leading manufacturer of high-quality dairy products in Switzerland. The roots of the company go back to 1907 with its foundation by dairy farmers' cooperatives in the region of Luzern. With a clearly aligned strategy, innovative products and internationally established brand concepts such as Emmi Caffè Latte and Kaltbach cheese, the company has developed into an internationally listed group of companies (EMMN) with a strong local presence in 15 countries. As part of its business model to deal with resources carefully and to deliver value, especially in rural areas, Emmi is committed to the tradition of providing the best milk moments, also for future generations. Emmi Group sells its quality products in about 60 countries and produces high-quality food at over 30 of its own production sites in 9 countries. With more than 9,000 employees, of which around 70 % work outside Switzerland, the Emmi Group generated sales of CHF 3.9 billion in 2021.

[Emmi with consistently reliable result | Emmi Group](#)

"We must be able to meet rapidly fluctuating demand. At the same time, the heterogeneity of the many regional markets must be taken into account," explains Lukas Fischer, Head Integrated Business Planning at Emmi. *"The better we define and formulate our requirements, the more consciously we can align our entire supply chain and planning to meet them."* For years, the manager has been gradually aligning Emmi's business processes further towards the goal of long-term, integrated planning. Most recently, an important component was added with the cross-border integration of the forecasting and optimization algorithms in ADD*ONE from INFORM.

IBP beyond ERP restrictions

The goal of the project was to establish a medium- and long-term, sales planning and turnover planning, matched to the supply chain management. In addition, those responsible were to be qualified to simulate different scenarios, evaluate them on the basis of data and thus make better decisions more quickly. *"We understand Integrated Business Planning as synchronizing and integrating the view of the market, i.e. financial planning and demand planning, into the supply chain management,"* says Fischer. By 2017, he had been working on the transformation of heterogeneous system landscapes to a cross-site, uniform implementation of SAP as an ERP system. It then quickly became apparent that the existing solutions did not meet the requirements for a consistent implementation of the IBP, especially in the area of sales planning. *"We were looking for a solution for how we could further process the data from SAP and use it to derive forecasts for the future for an 18-month forecast plan."* With the ADD*ONE solution suite, Emmi now forecasts both in its home market of Switzerland as well as in export countries, where which requirements will arise and when. With this information, the company checks with a view to the supply chain, whether sufficient raw materials, capacities and other resources are available to meet demand. For example, milk itself is a limited resource. In order to optimally plan for seasonal and regional fluctuations, as well as for incoming milk, it is necessary to make forward-looking decisions, for example about which proportion is to be processed into cheese, powder or butter.

Strategic planning algorithmically supported

"The big difference between IBP and our process used before, Sales & Operations Planning, is that we not only make decisions based on quantity, but also plan and represent the supply chain in financial terms. We now plan turnover, sales and cost development in an integrated process," Fischer summarizes, *"We can thus transparently weigh up opportunities and risks, simulate scenarios and plan strategically: What does it mean if we win or lose a certain business? What effect would that have on the entire supply chain? Which opportunities are worthwhile and what are we better off doing to meet other needs?"* In the past, a manufacturing plant could also adjust to certain seasonalities, but now there is a cross-plant process in which production, personnel and budget are planned in relation to each other and to other plants. *"We always know when there is an overload or underload, and thus have much more extensive options for action,"* says Fischer. *"How can we operate optimally in terms of price and customer loyalty with the quantities available to us on the market? When do we plan vacations, when do we plan with temporary, additional workers? How do promotional activities affect on our supply chains?"* IBP also favors the increasingly complex procurement, for which it is possible to contact suppliers at an early stage. *"In the past, we often asked ourselves the question whether we were taking a risk or not,"* Fischer recalls. *"Now we have the certainty of knowing whether and how we can best seize a market opportunity."* Across all areas, Emmi thus realized a considerable return on investment through the introduction of ADD*ONE, particularly by optimizing the use of goods to take advantage of market opportunities that would not have been identified previously due to a lack of transparency.

Standardized processes internationally

In Switzerland as well as in Germany, the add-on system, which can be used for every ERP is used in sales planning. The rollout in other countries such as the USA is in preparation, but the main site in Switzerland is already using the system for a total of 15 locations and centrally generates forecasts for various segmented sales markets. *"We were convinced by INFORM's many years of expertise and competence in the field of algorithms as well as the comprehensive consulting services,"* says Fischer. *"Many software providers can come up with simple operation and good usability, but the intelligence in the background must first be rebuilt with the customer. INFORM has convinced us with a complete, established solution for sales planning."* The concrete interfaces to SAP and other ERP systems also played a role in the selection. *"Within three days, around 80 percent of the data exchange was possible to have digitally via interfaces."* The demand planners now only have to worry about the items where the algorithms forecast uncertainties. *"The rest is done by the software automatically,"* says Fischer. Another module deals with inventory optimization, to improve the balance between low inventories and the ability to deliver. *"The system automatically calculates site-dependent requirements based on the forecasts and informs the planners, who then trigger production at the respective plants,"* says Stefan Witwicki, Head of Inventory & Supply Chain at INFORM. In the process, the system includes many factors into its calculations, such as transport times, storage capacities, or the remaining shelf life of articles. *"ADD*ONE decides independently, which forecasting method to use in which situation."*



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Lukas Fischer,
Head Integrated Business
Planning bei Emmi

Successes

- Turnover, sales and cost development are planned in one process
- Replenishment times could be halved
- Within 3 days, about 80 % of the data exchange was already possible to have digitally via the interface

Fighting food waste

In this way, goods from Switzerland – home of 25 of the Emmi Group's 33 production sites – can be shipped more quickly to export countries such as Germany, where the company sells around 150 different items. *"The replenishment time is halved. Whereas in the past it took three weeks, today the freshly produced items are now on site after around ten days. As a result, we achieve better remaining shelf life and are faster to market"*, says the Head IBP Fischer at Emmi. Only this reduces depreciation considerably. In addition to the immense cost leverage, the application thus also contributes to the milk processor's sustainability strategy. The Group aims to achieve 60 percent less CO2 emissions and 50 percent less waste by 2027. Among other things, it invested in district heating, higher ecological standard of products, mono-packaging, and strategic training of suppliers. In order to avoid food waste, Emmi is testing the exchange of inventory data with Swiss trading companies. On the basis of sales information, the optimum stock levels in the respective stores are recalculated daily. *"So we will no longer work with minimum, maximum or average stock levels, but with dynamic ones,"* says Fischer. In the future Emmi could organize this reconciliation via the new inventory optimization platform. *"Retail and production have to become faster and more agile in the supply chain. Based on the forecasts from ADD*ONE, we are testing continuous replenishment, the automatic delivery to our customers,"* he explains.



In case you want to learn more, we will be happy to hear from you:

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