SupplyChainDigest™

Case Study: Campbell Soup

Campbell Soup Solves Demand Planning Problem

Campbell's is of course one of the world's leading food companies, famous for its flagship line of soups as well as brands such as Pepperidge Farm, Prego, V8, and Pace.

The Issue

Like many CPG companies, Campbell's had trouble with maintaining a high level of forecast accuracy. Forecast error at the SKU/DC/week level averaged almost 50%, with relatively wide swings in error from week to week.

The Solution

In a pilot program using a forecasting solution from Terra Technology, Campbell's was able to reduce forecast error by about two-thirds, down to the mid-teens, with comparatively little fluctuation from week to week. The solution takes the original demand plan, then makes adjustments based on actual sales data, recognizing the dynamics of adjacent time periods, which traditional demand planning systems often do not. For example, a spike in demand may lower sales in subsequent weeks.

While some have labeled this approach "real-time forecasting," this is a bit of a misnomer, as forecasts are not really adjusted in real-time. The Campbell's solution does produce a new forecast on a daily basis, intelligently combining the current demand plan with each day's actual sales data to create a revised plan that has proven to be much better at predicting actual future orders, using Terra Technology's proprietary forecasting algorithms. These re-adjusted forecasts are then sent to the DRP system for its daily run.

The Result

The pilot, focusing on all U.S. Campbell's SKUs, proved extremely successful, and the solution is being rolled out throughout Campbell's forecasting processes. While the company was not specific about the economic benefits of the forecasting improvement, about 50% of a traditional CPG company's inventory is attributed to demand uncertainty, and a reduction in forecast error should ultimately be reflected in commensurate reduction in total pipeline inventories.

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