



Philips Electronics Taiwan DAP *Taiwan DAP tackles customer demand planning with Wolverine 2.0*

Company Profile

Company Focus

One of the world's largest consumer electronics companies.

Industry

Consumer electronics

Business Focus

Electronic components
Retail
Consumer Electronics

Wolverine Products

Wolverine 2.0
Demand Manager
Promotion Manager
Lifecycle Manager
Event Manager
Inventory Manager

Implementation

Deployed 20 users in 3 sites to manage 900 products sold in 92 locations.

Benefits

- Improvement in forecast accuracy
- Reduction in demand and inventory planning time
- Improved labor efficiency
- Better management of inventories

"Wolverine's well developed Collaborative Demand Management Software suite is the exact solution we are looking for to address the headaches associated with planning reliable sales projections."

- Conrad Chen, GM, Philips DAP, Taiwan

Business Overview

Philips Electronics is one of the world's largest electronics companies, with sales of approximately \$30 billion in 2002. Philips Domestic Appliance and Personal Care Group has a strong global presence and is one of the most profitable businesses within Philips, with products ranging from kitchen appliances, vacuum cleaners to shavers, electric toothbrushes, beauty-care, and fitness products. Philips Taiwan was founded in 1966 and today is one of Philips' major business centers in the Asia Pacific region.

Business Challenge

Increasing competition, shortening product lifecycle, and rising price pressure have put a financial squeeze on all consumer electronic companies. To remain competitive and profitable, Philips Taiwan DAP explored innovative solutions to replace their in-house demand planning tools in order to better analyze inventory and demand related data and to reduce the inventory costs. A secondary goal was to improve customer services and retention.

Prior to implementing Wolverine 2.0, the Marketing and Product Management departments produced monthly demand forecasts for approximately three hundred active finished goods out of a total of nine hundred products. These forecasts

became the input for generating purchase plans and, ultimately, purchase orders.

Demand forecasts and purchase plans used to be generated via spreadsheets. Although pre-processed transactional data such as historical sales came from their SAP system, other demand drivers such as promotion and/or competitor activities were communicated manually through emails or phone calls. Most of the supplies for ultimate sale in Asia came from manufacturing or warehouse facilities in Europe.

When Philips Taiwan DAP began their search for a qualified demand planning solution, they had two key criteria in mind:

- First, they needed a solution that could help them gain a deeper understanding about true market demand in order to improve their top-down only forecasting practice.
- Second, they wanted a solution that could be implemented easily and quickly without the need for hiring many dedicated resources.

Because DAP Taiwan saw that Wolverine Decision Technology had the expertise, application knowledge, the product functionality, and the commitment to help them achieve their business goals, they

selected Wolverine's collaborative forecasting, promotion and replenishment solutions, Wolverine 2.0, to help improve their entire demand chain planning.

Business Impact

Like many leading consumer electronics firms, Philips strives to achieve a "Best in Class" status. One obstacle in achieving this distinction involves the difficulty in developing realistic sales projections and driving the organization to deliver those levels.

Inaccurate demand forecasts could result in inventory shortages or excesses. The impact of not having sufficient inventory increases emergency logistics costs and causes delays in customer deliveries. In the worst case, this can result in lost sales due to customers taking their business elsewhere. Conversely, the impact of having too much inventory results in excessive logistics and carrying costs.

The bottom line is that errors in estimating demand can have a dramatic impact on profitability and customer satisfaction.

The Wolverine Solution

The Philips DAP and Wolverine teams designed a complete demand planning solution using all of the Wolverine 2.0 modules: Demand Manager, Promotion Manager, Lifecycle Manager, Inventory Manager and Event Manager. This suite of modules enables the users to generate individual demand plans, aggregate plans by product and/or location and to develop sound consensus forecasts taking into consideration factors such as seasonality, promotions and causal events.

Wolverine and Philips Taiwan DAP worked closely to collect required data, set up business models and to complete the integration with legacy systems. The web-based solution allows all sales representatives to participate in the consensus forecasting process by providing bottom-up forecasts at the product/customer/region level.

With Wolverine's robust statistical forecasting engine, forecasts from top-down, middle-out, and bottom-up can now be made more accurately and effectively. Moreover, data synchronization is automatic; enabling quick and easy problem identification.

Users can record and analyze various demand drivers in Wolverine 2.0, which increases internal

data visibility and ensures complete information storage and analysis.

Philips Taiwan DAP uses Wolverine's Inventory module to set up multiple replenishment networks for various product groups in order to closely reflect their purchase lead-time requirements. The core engine takes into account business rules, such as lot-sizes and period ordering quantity when computing the optimal purchase plans. Philips Taiwan DAP is now able to automate purchase plan generation and monitor forward looking inventory positions more accurately.

Philips Taiwan DAP also gains the ability to manage inventory and demand by exception and not just on an individual SKU and channel basis. When exceptions such as inventory shortages or excesses are detected, alerts will be sent to relevant users in real-time. Users can effectively utilize the collaboration mechanism to resolve mission critical exceptions and react to market changes quickly.

Benefits

By choosing Wolverine 2.0 for managing their demand chains, Philips Taiwan DAP now executes a consensus forecasting process and automates their inventory and purchase planning without having to invest heavily in IT and operational staff. Moreover, by incorporating demand forecasts at detailed level, Philips Taiwan DAP achieves a better understanding of customer demand and can be more sensitive to market feedback.

The management of Philips DAP has confirmed that after using Wolverine 2.0 for only a short time, they have been able to achieve increased reliability in sales and financial forecasts, reduced inventory levels and increased efficiency in the planning process. These improvements are seen to be contributing to the achievement of the Best in Class goals of local management.

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