



Demand Solutions Helps Heineken Serve a Cold One

Heineken USA (HUSA) does not brew, bottle or package beer in the United States. The company instead imports, markets, sells and distributes Heineken along with other premium beers in its expanding portfolio through a network of nearly 650 beer distributors throughout the country. Easier said than done, this supply chain requires precise forecasts and meticulous planning. Even with breweries on the other side of the Atlantic, long brewing lead times and seasonal market demands, the company operates one of the best-performing supply chains in the industry. Forecast accuracy is a key enabler for HUSA in operating the supply chain that makes them the biggest container shipper on the trans-Atlantic.

Magne Setnes, Senior Director of Supply Chain Management, wanted a forecasting tool that was easy to understand. His theory was that the team would make better use of the forecasts if they understood

how the software created and maintained them. Although it would have seemed a natural choice to upgrade its SAP APO DP tool given that HUSA uses a SAP ERP system, the company decided to research the leading forecasting systems on the market. HUSA chose Demand Solutions because of its ease of use, powerful functionality, quick implementation, local support and value for money.

The choice has worked well for the company that sought transparency above all other factors when evaluating software. With a Ph.D. in computer science, numerical complexity did not intimidate Setnes. However, he realized that too much complication would hamper a collaborative forecasting process.

“Demand Solutions has a transparent process of creating forecasts,” says Setnes. “After all, we aren’t putting robots on Mars – what’s important for my team is a tool that supports their data management.”

As with most packaged consumer goods companies, forecasting demand for a new product, big or small, is always a challenging process. HUSA liked Demand Solutions' process for developing and maintaining forecasts for new products. Over the past year, Demand Solutions has proven its capabilities and contributed to Heineken's successful launch of two new products: Heineken Premium Light and the five-liter draught keg, an end-user mini keg with an integrated draught system guaranteed to keep beer fresh for at least 30 days after it's first tapped.

"Demand Solutions simplified the new product launch process for us," says Setnes. "The tool makes it very easy to review the numbers and change the forecasts, which we do frequently during a launch."

The Heineken supply chain management department faces an interesting challenge. Its physical supply network structure is optimized for logistics and does not align 1:1 with its sales-force organization – each of its six demand centers feed into several different sales zones. Prior to implementing Demand Solutions, the HUSA supply chain staff had to manually map the forecasts built for the demand centers onto the sales zones in order to have a basis for discussions with the sales force.

"Now we map the sales region to the demand centers automatically, and we can view the data from the point of view of the network structure or the sales organization," says Setnes. "That is a huge advantage, especially in rolling out new products or supporting promotional programs. We are able to have conversations with the individual sales regions about expectations in a transparent way and track and report against progress and targets."

Another key to choosing Demand Solutions was strong local support, says Setnes. Heineken has worked closely with Demand Solutions Northeast, whose offices are within driving distance to Heineken's U.S. headquarters in White Plains, N.Y.

"When we were choosing new forecasting software, integration into our global ERP system was essential, but we also wanted a company that could support us locally with functional experts," says Setnes. "Demand Solutions has exceeded our expectations."

The final factor when determining forecasting packages was flexibility. Setnes wanted a solution that could fit into the way Heineken works, rather than requiring the company to conform to the software. With its large selection of templates and reporting methods, Demand Solutions lets a business customize its solutions without customizing the software. The program is also flexible in terms of access — users can access the centralized Demand Solutions database from their respective office locations throughout the U.S.

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Managing a Forecast-Driven Supply Chain

The forecast from Demand Solutions provides the starting point for HUSA's conversations that make up the sales and operations planning. Through monthly meetings with the sales force in the field, the regional demand planners collect numbers, discuss trends and solicit information regarding upcoming programs and competitor activities.

"We ask sales what they think will happen, not what algorithms we should use," says Setnes. "If our competitors run promotions with large displays at retail – that will impact our sales. So we need to have these conversations and gather intelligence on what is happening in the field."

Working off their monthly sales forecasts, the regional demand planners update and tweak their forecast each week. Demand Solutions automatically maps the regional sales forecasts into a network forecast — simplifying the once-manual process. Every Thursday, Setnes and his team then send the consolidated demand-center forecasts to the brewery in Amsterdam so it can update its planning for several months out. Coincidentally, Thursday is also taste-testing day at the White Plains office bar. It's a good day for the team to have the forecast off their plates and cold beer in their mugs.

Implementing Best Practices

The biggest task in implementing Demand Solutions was consolidating Heineken's plethora of data from the two historical demand streams into one view – what Heineken ships to distributors and what distributors ship to retailers. The team had previously managed it in multiple spreadsheets for each region.

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“Trying to convert the regional data into a state view was a daunting task for Heineken USA in the world of Excel,” says John Koroluk, an Implementation Consultant for Demand Solutions Northeast. “Prior to Demand Solutions, the forecasters would spend countless hours each month just jockeying numbers around.”

DS Northeast spent about two months working with Heineken's IT to determine where the data should come from, ensuring data structures were consistent and cleansing existing data.

Working with DS Northeast, Heineken built a prototype to test the system and experiment with several approaches.

The team faced challenges they didn't anticipate. They learned to align their processes with best practices in the industry.

“We went through a learning curve,” says Setnes. “Some

of the ideas we started with turned out to be incorrect. We had good support from the Demand Solutions team. They gave us honest advice and explained that our original approach would make the software functions unclear, which would take away from the strength of Demand Solutions.

We are really happy with the guidance and support we received from them.”

The Heineken forecasting team respected that Demand Solutions didn't force them into a particular process but rather led them into a discussion about what the tool could do and the best approach to use with their data.

“The Demand Solutions implementers demonstrated the tool's capabilities to support the process that was best for us and our data,” says Setnes. “It seamlessly integrated with our SAP systems and the planning systems at the brewery without dictating rigorous, pre-defined steps like we experienced with our previous application of SAP APO DP.”

Forward-Thinking

With Demand Solutions operating smoothly, the team is improving methods of incorporating the forecasts into sales and supply chain planning. HUSA recently implemented DS View, a tool that enables them to see the forecasts from multiple angles. The company wants to take full advantage of Demand Solutions' ability to map forecasts to sales regions to increase the sales force's sense of ownership.

“Before, when our forecasts were tied to the demand centers, all the responsibility for their accuracy fell on the supply chain group,” says Setnes. “Now that we have the forecasts integrated into the sales-organization structure, we can achieve a much more collaborative approach and engage in good discussions on how we perform as a team. Without Demand Solutions, it would have been hard for us to address this level of accountability.”

“Our supply chain team has moved their forecasting process from the desk to a collaborative process—improving the information sharing and communication across operational, financial, marketing and sales departments,” says Dan Sullivan, Chief Financial and Operating Officer at HUSA.

Heineken's research and innovation group in Holland keep HUSA's supply chain management department on its toes with potential product



launches. One of the brewer's latest innovations takes cool to another level — the level right above freezing temperature. The brewery is testing "Heineken Extra Cold," an on-premise tap handle that gets so cold that ice forms on its exterior. Another innovation is the 2008 U.S. launch of the BeerTender in cooperation with Krups, a kitchen appliance manufacturer. The easy-to-use, in-home draught system is compatible with the Draught Kegs.

The company's comprehensive supply chain management in the Netherlands uses the forecasts received from HUSA and other markets around the world to plan production. It also uses the forecasts to manage its operations upstream from the breweries and to forecast the levels of packaging and the raw materials that are required to meet product demand.

"With Demand Solutions, the forecasting process takes considerably less effort," says Setnes. "It has spurred better conversation with our sales force and we are in a much better place to support new activities moving forward. Before we had Demand Solutions, we were using outdated tools for new activities, and they presented real difficulties. Now we spend less time making the software work and focus on our conversations with the sales team."

Local Knowledge

Heineken values local-level detail — in traditional brewing recipes and in data collection. The company can now include and measure the performance of local detail all the way to the demand centers with Demand Solutions. That's important in a business where demand can change rapidly because of weather, pricing and media.

"Demand Solutions keeps a separate copy of your history, so you can remove

items such as new product launches, one-off promotions and unseasonable weather to provide a clean history for predicting forward," says Setnes. "This is especially helpful when you have introduced new products in the previous year. New product launches produce very noisy data because there is so much loading in at the distributors and retail level. We plan to take full advantage of Demand Solutions' separate historical records in our future planning."

Heineken's forecasts are in the thousands of pallets, but demand often occurs as a salesperson closes a deal for a few pallets a month. The company can now adapt to the multiple measurement units and has achieved a level of communication that did not exist prior to Demand Solutions.

"When we share numbers that are meaningful to sales, we have better conversations. They can see that the information they provide us helps keep the demand centers at the right level of stock to support their programs," says Setnes. 🍻

"We have moved from a back-office function with spreadsheet mathematics into a more collaborative effort that creates more value for the company."

Did You Know...

The numbers and facts that make Heineken USA the biggest containerized importer on the trans-Atlantic.

16: percent of the world's beer industry the U.S. represents

233: million hectoliters of beer U.S. citizens drink in an average year

1,501: million hectoliters of beer consumed globally each year

55,000: containers Holland ships to Heineken USA per year

40: the size in feet of the containers

1,000: the weekly average number of containers Heineken USA receives from Holland

8 to 14: the lead time in days for beer to ship from the Netherlands to the East Coast

5: the lead time in weeks for beer to ship from the Netherlands to the West Coast

Heineken USA imports several beer brands including: Heineken, Heineken Light, Heineken Premium Light, Amstel Light, Buckler non-alcoholic brew, and authentic Mexican beers such as Tecate, Dos Equis, Carta Blanca and Bohemia.