



Kavli reduces planning time and inventory with APS-system

Kavli AB, manufacturers of soft cheese, caviar, dressings and condiments had it good: A wide assortment of popular products, high sales volumes and extremely high services levels. Behind the scenes in Kavli's production facility, however, another story was unfolding. Manual planning and forecasting combined with increasing order volumes meant that far too much time was being spent in front of spreadsheets and inventory was beginning to pile up. In February 2009, with the help of Opton Solutions, Kavli went live with an Advanced Planning System (APS) and almost immediately was able to regain control of their supply chain and start realizing considerable benefits.

Production strain

Planning production and forecasting sales at Kavli is no easy task. With such a wide range of products and flavors, Kavli is dependent on hundreds of suppliers for everything from meat and vegetables, to aluminum and plastic tubes. Peak season for Kavli is between April-July and an inventory of finished products is needed in order to supply the demand. Adding this into the equation creates many factors that directly influence whether Kavli can produce the right products at the right time, and then ensure that customers get what they ordered.

However, order fulfillment is something Kavli has always done well. In fact, their production goal is to uphold the highest possible service levels – at least 98.5 percent. Customers have come to appreciate a three-day lead-time and nearly flawless service. But, meeting these expectations was proving to be increasingly difficult and required far too many man-hours.

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When it came to long-term and detailed supply chain planning, however, Kavli used Excel. Constantly shifting parameters, like changes in forecasts or supply chain delays meant that new production plans had to be done over and over again. Inga-Lill Wallin, Production Manager at Kavli explains. “We would try to make one plan for every week, but most of the time we ended up doing it twice more.”

Furthermore, Kavli had no real way of visualizing their processes, and because planning in Excel took so many man-hours, there was no time for analyzing results. “It was very time consuming to sit and look at our prognosis, look at our sales and go in and look

at how much we needed to run on the different lines,” says Wallin.

Another major challenge that Kavli faced was that finished product inventories were beginning to pile up and raw material stocks were getting harder to plan. To meet the demand during the peak seasons, Kavli had an inventory of 46 days and this was costly, especially if bad forecasts were made.

Kavli knew that their high service levels could still be obtained, but with less effort, less inventory and fewer costs. Since they were already running an ERP system, they decided to go ahead and implement the APS system Supply Chain Planner (SCP) for use in long-term and detailed production planning. So far, the results have been just what they were looking for.

The Implementation

The decision to implement the SCP came in the fall of 2009. Kavli wanted a complementary system that could work seamlessly with their existing IT solutions. Optilon, one of the leading independent consultancies and reseller of IT systems in the area of Supply Chain Optimization was called in to review the case, recommend a system and carry out the implementation.

On February 1st 2009, Kavli went live with SCP. The implementation went relatively smoothly and Kavli was satisfied with Optilon’s ability to quickly respond to the initial lack of common ERP knowledge in Kavli’s organization by supplying additional education from specialized consultants. After a few delays, the system was up and running and the benefits of SCP started to appear.

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The production process was visualized in a way never before possible. “We implemented and ran the system in parallel with our old one,” says Wallin, “and it was very interesting to explore why SCP wanted to produce one product, as opposed to another product. When this was analyzed it was easy to see that SCP had realized there was not enough stock, or that we would soon run out.”

Wallin continues, “It was exciting to implement SCP and it has given us a visual system with a lot of transparency.”

The Benefits

Kavli chose Supply Chain Planner because they wanted to reduce stock, create more accurate plans and reduce man-hours. Even though their system is relatively new, the benefits are already emerging.

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The most apparent improvement in the supply chain so far is the significant reduction of finished product inventories. With SCP, Kavli has been able to free tied-up capital by reducing their inventories from 46 days to 27 days and still meet 98.5 percent service levels.

Another advantage that Kavli has realized is fewer complexities when planning and a large reduction in the man-hours needed to complete a successful production plan. “Before, we had to plan over and over again. We had tried to make a plan for every week, but in reality we would have to re-plan at least twice,” Says Wallin.

Now, rather than manually compose a new plan when a supplier is late or other hiccups occur, a new production plan can be composed automatically just by entering the delay into the system. With fewer changes Kavli can make more stable plans and increase productivity.

And with fewer hours spent planning, there is more time to focus on optimizing other aspects of the supply chain. Though relatively new, the APS is already allowing Kavli more time for analysis and even simulation.

“Another thing that is great about SCP is that you can make a copy of a specific plan and use it to simulate different scenarios,” explains Wallin. “You can go in and visually see what is going on and then twist and turn parameters to see what happens.”

And what about usability? Wallin and the other four users at Kavli have found the system extremely intuitive and easy to use. “SCP is easily used,” says Wallin. “It is self explanatory in an entirely different way than our ERP system and is very user friendly. It is easy to find what you are looking for and easy to see where you should go, even without a lot of training. If you just click around, you will get to what you are looking for.”

Future optimization

New uses for SCP are arising all the time. For instance, Wallin finds SCP great for budget work because “it is easy to add different volumes and see how many people are needed and how that affects the different production lines. The more we get to know the system and the more we use it, the more possibilities for new uses we discover,” says Wallin.

Searching for a quicker, easier and more accurate

way to plan their supply chain, Kavli has started getting the results they were looking for with SCP. They have reduced their inventory dramatically, created more collaboration between departments

and are able to make good decision much quicker than before. Most importantly they have gotten rid of their Excel spreadsheets and are well on their way to creating a truly optimized supply chain.

ABOUT KAVLI

Founded in 1940, in Stockholm Sweden, Kavli AB produces a wide array of cheese, dressing and mayonnaise products that are hugely popular throughout Scandinavia. Unique flavors, convenient packaging and long expiration dates have made the products popular for picnics and other outdoor excursions, as well as in the household. The production of cheese, mayonnaise and dressing products for the Swedish and Finnish market is done at the company's production facility in Älvsjö, just outside Stockholm where over 100 employees work. The company is owned by the Norwegian corporation Kavli Holding AS and in 1962, the O. Kavli og Knut Kavlis Almennyttige Fund was set up. This progressive and generous fund donates 40% of profits annually to a wide variety of humanitarian efforts, research projects and cultural charities.

ABOUT OPTILON

Optilon sells and delivers the market's best solutions within Supply Chain Planning and Execution for companies in the areas of manufacturing, distribution, and purchasing. Optilon also offers services within Supply Chain Analysis and Supply Chain Network Design.