

LAVAZZA CHOOSES TXT FOR DEMAND PLANNING

THE POTENTIAL

- *Standardise the Demand Planning process in sales organisations in Europe and the United States*
- *Support process development through a tool capable of:*
 - *Automating and simplifying some activities which are currently being performed manually;*
 - *Reducing forecast processing times;*
 - *Introducing the analysis of alternative hypotheses among the process activities;*
 - *Involving the Sales Force;*
 - *Correlating forecasts and Sales Budget definition*

THE ANSWER OF TXT E-SOLUTIONS

- *Demand Planning*

Company Profile

Founded in 1895 by Luigi Lavazza, nowadays Lavazza is one of the most important industries in the world in the coffee roasting and sale sector with an annual turnover of 803 million Euros (data relating to 2004).

Lavazza is currently the largest single-product coffee producer in the world, leader in Italy in the Retail sector with a market share of over 46% in value (Nielsen data), and operates worldwide in the Retail, Away From Home and Automatic Distribution sectors, thanks to a close network of distributors and seven subsidiaries

in France, UK, Austria, Germany, Spain, Portugal, and the United States.

37.5% of its revenues is represented by the foreign market.

The Supply Chain scenario

Delivering the aroma and quality of Italian espresso worldwide has always been the main objective pursued by Lavazza. But what complexities lie hidden behind the coffee we drink every morning? From supply to sale, Lavazza manages a wide-ranging and coordinated Supply Chain. Raw coffee, purchased from the stock exchanges of New York and London, is supplied by several countries in Central and South America, Africa, India, and South East Asia and undergoes a careful selection. Production, with over 100,000 tons of coffee being roasted every year and over 350 different blends, is entirely Italian and is carried out in the 4 manufacturing plants located in Turin (73 thousand sqm, the largest in Europe), in Verres (AO), in Pozzilli (IS) and at the Mokapak in Gattinara (VC). Further downstream, the extremely vast sales network serves over 80 countries through distributors and foreign subsidiaries. Overall, 14 billion Lavazza coffee cups are consumed every year throughout the world.

Lavazza's challenge

Lavazza's answer to such an intricate scenario is a continuous drive towards innovation. Strongly differentiated demand trends in the countries served – because coffee consumption is also a cultural element –, but also the evolution of product types and consumption methods throughout the years have actually made this market even more dynamic, with a strong company focus on Supply Chain and demand management issues. Always at the forefront of leading edge technology in the IT sector, Lavazza has felt the need to upgrade the software infrastructure supporting its Demand Planning processes.

A strategic choice which, on the one hand, enables the company to standardise procedures among the different sales organisations in Italy and abroad, and on the other hand, to support the growth and management of new products, such as Lavazza B.L.U.E (Best Lavazza Ultimate Espresso), the new single-dose coffee pod system for “home” and “away from home” sectors. Here, as for all Lavazza's new products, demand planning becomes particularly complex – there is no sales figures record as such – and the introduction of demand management solutions may

represent a sound support to the forecasting activity. TXT e-solutions, with its Demand Planning solution, is the selected partner for this project.

Why TXT?

Demand Planning meets Lavazza's need to rely upon a tool capable of combining complete and user-friendly features. Furthermore, the main determining factor behind the choice was TXT's leadership on the Italian market and its ability to manage international projects. Relying on the company that developed the software has resulted in Lavazza's being able to get direct insight into the know-how of TXT personnel, in order to renew technology and processes together, but it has also given the company the guarantee of greater support flexibility and timeliness.

The solution

Demand Planning is TXT's software product

for collaborative demand management: forecasting, planning of promotional initiatives and definition of sales budgets.

Lavazza's strategy entails an ambitious international release plan, with a first already advanced stage dedicated to commissioning the forecasting functionalities of the solution, which will be followed by the implementation of the Sales Budget functionalities.

All the sales organisations in Europe and the United States are involved in the project for a total of over 20 users from the planning area.

The solution makes the tools necessary to create quality forecasts available to those who are responsible for the planning: based on the analysis of previous figures, current sales and on the basis of information coming from the sales network. Regression techniques on similar products support accurate sales forecast even of totally new products.

The solution effectively enables a collaborative forecasting and "rolling" type of process, with monthly plan inspections on the basis of more recent sales figures, thus improving the accuracy of the forecast.

In addition, through the Demand Planning tool, it is possible to evaluate economic and sales volumes together, correlating demand forecasts with the definition of the Sales Budget.

With the aid of this project, the different sales organisations standardise their procedures by adhering to a single and shared Demand Planning process.

Within Lavazza's expectations, this will have a positive impact in terms of communication and synergies among the business functions, ease of access to information and, as a result, on the accuracy of the forecast and processing times.

“A strategic choice, that of renewing demand planning solutions – which enables us to standardise procedures among the different sales organisations in Italy and abroad, thus creating a sort of common literacy and a more structured collaborative planning process. This will allow us to further improve the quality of communications among our business functions, the ease of access to information and the accuracy of the forecast.”

Renato Baldo, Information Systems - Lavazza