

► **PORTFOLIO**
Richard Bloch

Client:
PricewaterhouseCoopers

Media:
Case study

Objective:
Market management
consulting services

PricewaterhouseCoopers is a leading worldwide provider of high-level management consulting services, particularly in the high-technology area.

To promote its services, Price Waterhouse developed a new series of case study brochures called "The Explorers Series."

In each segment of the series, the story of an explorer or inventor is told. That story is linked to an actual PWC case study to demonstrate that Price Waterhouse helps clients chart unexplored waters.

Additional Explorers Series pieces I wrote focused on Admiral Richard Byrd and Madame Curie, among others.



COPY

(Brochure cover)

The Explorer Series

All he asked was a simple question...
“Why not let the wind take me there”

(Brochure flap panel)

...and traveling
1500 miles was a breeze

Thousands of years ago ancient Greek mariners navigated by sailing along the coastline-keeping land well in sight at all times. Those who ventured further out to sea were often never seen again. Of course, on long journeys to such places as India, this meant keeping watch for pirates and even bribing port authorities along the way to ensure safe passage.

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But even the ancient Greeks knew about the phenomenon we now call “monsoons”—dependable wind currents that flow from the east in winter and reverse to flow from the west in summer. Could such winds provide a dependable route to India and points beyond?

One brave merchant, Hippalus, decided to see for himself as he set sail to India from the mouth of the Red Sea. Rather than hug the coastline and spend weeks watching for pirates and paying off port officials, he sailed straight out into the open seas of the Indian Ocean. By his calculations, the summer monsoons would steer him straight to India.

After crossing 1,500 miles of open water, Hippalus arrived in India, just as he predicted. He completed his trading, and sailed back home the same route when the monsoons reversed again in autumn.

When he returned, Hippalus became one of the most famed of Greek merchants. His discovery was hailed as a major contribution to Greek commerce. All this because he decided to set aside prevailing practices and try a new route for himself.

At PricewaterhouseCoopers conventional wisdom is merely a place to begin. It is our innovative thinking and creative approach that can bring success to your key initiatives.

This approach has served our clients well. Read here about one of our latest successful expeditions into unexplored territory. Then call 000-000-0000 to see how we may be able to help you navigate the uncertain waters you face in your quest for meeting key business challenges.

Discovering new forecasting solutions at Adaptec

(Brochure inside – case study)

Adaptec Forecast Improvement Initiative: Creating a new forecasting environment to improve accuracy and reduce costs

Making forecasts at Adaptec: A process in need of change

Adaptec is a leading manufacturer of hardware and software products that capture, store and transfer electronic information. A fast-growing company in a fast growing industry, Adaptec’s revenues soared from \$400 million to just under a \$1 billion in just xx years.

With 700 SKUs and a very short 6-month product life cycle common to many high-technology companies, Adaptec’s ability to make accurate forecasts was poor—with an accuracy rating of only 35 percent.

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What's more, different functional organizations within the company used different forecasting numbers to meet specific needs. Sales managers set low numbers to be assured of meeting goals. The marketing staff manipulated numbers through discounts and promotions. Operations executives adjusted the numbers to achieve large production runs. Finance would make forecasts based on Wall Street "expectations." In short, the range of differing forecast numbers made the process virtually meaningless to the company as a whole.

The forecasting process at Adaptec took far too long—between 4 and 7 weeks—meaning that in some cases the production time of a forecast amounted to nearly one-third of the entire life of a product. And the process was far too costly. With so many different functional organizations executing different forecasting procedures, there was much duplicated effort as well as significant expense in the over-production of inventory that resulted from inaccurate forecasts.

The PricewaterhouseCoopers mission:

- Improve forecasting accuracy to reduce inventory carrying cost
- Eliminate duplicated effort by creating once company forecast
- Dramatically shorten forecasting time
- Reduce forecasting costs

A bold move: Completely new forecasting strategies

In an industry that changes so quickly, the task of forecasting becomes a challenge. With the life a product measured in months, not years, using statistical models and mathematics to forecast is extremely difficult.

This mission was also revolutionary. Most initiatives are to make improvements to existing processes. Given that forecast accuracy was so poor and the process to derive the forecast so contrived, it was decided to make a bold move—scrap the entire process and start over with a clean slate.

The other revolutionary change was the goal of creating a "one company/one forecast" environment. This required that all functional organizations cooperate to produce one forecast the entire company could use. Indeed, of the 27 high-tech companies surveyed by PricewaterhouseCoopers, none were operating off one number for the company. Adaptec, it seemed, would blaze new frontiers by being the first.

To make one forecast work for the entire company, an integrated process was created. The sales department would create a forecast of demand based upon their unjudged input from customers. Product marketing executives would then apply their judgment, statistical modeling, and knowledge of product cut-overs and transitions to the forecast. The numbers would then be brought to "alignment meetings" where finance, operations, marketing and sales managers would agree on the same numbers to be used to run the company for the period.

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This represents a new paradigm in the high-tech world—one forecast to be sold, produced and marketed against, and expressed to Wall Street to manage their expectations as well.

From a process standpoint, value-added tasks to be incorporated in the new initiative called for product managers to combine data, models, promotion plans, product plans, and their intelligence about the market to create the forecast instead of the older practice of copying data from excel spreadsheets or generating reports.

PricewaterhouseCoopers brought a variety of best practices to the initiative, including:

- Incorporating input from the customer as closely as possible—preferably electronically—to get a clearer picture of demand.
- Integrating an electronic system for collecting inputs, calculating statistical models and generating the final forecasts in units and dollars.
- Applying statistical causal and time series models at the lowest level in the product hierarchy possible. Specific models were built for each SKU to be integrated into the system and updated monthly.
- Creating a centralized group to enhance the statistical models, clean the data, and keep the process going.
- Developing an alignment process so all parts of the organization use the same set of forecasts to guide the company.
- Implementing a procedure by which the operations organization would produce only what is forecast plus safety stock, which would be tied statistically to the variation in true demand from previous periods making use of knowledge of product cut-overs and transitions.
- Obtaining data on true customer demand before alteration through promotions and unnatural events to achieve financial expectations.
- Creating a process by which responsible individuals and groups are measured and rewarded for their accuracy of forecasting and in achieving the forecast goals.

Throughout the entire initiative, it was clear that a variety of important lessons could be drawn for use by other companies wishing to improve forecasting.

First, it is not necessarily to use the ERP system to try to accomplish the forecasting goals of the organization. Products from forecast specialty vendors are more advanced than those from ERP system vendors.

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Although there are more integration and interface costs with a “bolt-on” to an ERP system, the functionality and ease-of-use is superior.

Second, change integration is of major concern. The forecasting environment changed so significantly at Adaptec that many existing systems were changed or eliminated — and new systems created. Therefore at least half of the effort at Adaptec went not to developing the forecasting process itself, but in managing change integration.

Third, communications is critical. Forecasting is such a cross-functional process, that 300 end users around the world are involved in some way at Adaptec. It was a major challenge to assure that everyone had input and knew what to expect when the new forecasting process was in place.

The results: A giant step forward

This mission at Adaptec met all of its objectives. Key results include:

- Shorter forecasting process: From 4 to 7 weeks to a matter of 9 days.
- Improved accuracy: Forecasts are now 80 percent accurate—up from only 35 percent.
- Financial savings: Estimated at \$3 to \$6 million in reduced inventory carrying costs
- Reduced cost: Savings of \$800,000 in the cost of generating forecasts achieved through elimination of duplicate efforts.
- Short payback time: The estimated payback period on this \$2.2 million project is projected at only 4 to 7 months.

(Brochure back panel)

The Explorer Series

PricewaterhouseCoopers is a business advisory and consulting organization with 6,000 consultants worldwide—helping visionary clients navigate the uncertain waters of finding integrated solutions to business challenges that build value, manage risk and improve global performance.

This Explorers Series presents the record of our voyages in delivering these bold strategic solutions that bring our clients results. For additional titles in the series—or for more information about our services—call 000-000-0000.