



Faribault Foods Plans with AI to Become More Agile

Kickoff to Go-Live in 1 Month



Industry

Consumer Products /
Food & Beverages

Headquarters Location

Minnesota, USA

Size

1000 employees

New Horizon Products

Demand Planning
Sales and Operations Planning

Objective

Replace legacy applications with modern cloud solution that would be more accurate, easier to use, and have a lower TCO

Solution

Implemented New Horizon products across entire US business in one month each. Integrated with SAP ERP, SAP APO, and Vistex Trade Promotion Management.

Agility ▲

Increased agility to deal with supply chain uncertainty

1 Month

Implementation for each application

10% ▼

Decrease in forecast error

A New AI-Powered Planning Solution for Managing Volatility and Uncertainty

Founded in 1895 in Minnesota, Faribault Foods is a leading manufacturer of branded, co-manufactured, and private label shelf-stable foods and beverages. In 2019, they set out to replace their on-premise demand planning and sales and operations planning (S&OP) applications with a more modern cloud alternative.

Consumer products companies have always been challenged with managing volatile consumer demand and uncertain raw materials supply, but nothing could prepare Faribault for what was about to happen. They went live with their first New Horizon application in early March 2020, and then days later on March 11, the World Health Organization declared the COVID-19 outbreak a pandemic.

Replacing a Legacy System with a Modern Cloud Solution

Faribault of course didn't anticipate the pandemic. Their motivation had been to replace an aging on-premise system. The old system had an expensive total cost of ownership (TCO) because of annual vendor maintenance fees as well as internal IT department support for the application. This support included the need for a database administrator and periodic forecast engine tuning. The old system



Like many consumer goods companies, Faribault Foods faces volatile demand and changing customer behavior. ‘AI and machine learning have given us better visibility into demand and more accurate forecasts so we can become more responsive to changing conditions,’ says **David Mörker, senior director and head of information technology**. He adds that Faribault Foods can improve customer service levels while reducing inventory and supply chain costs.

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was also not very easy to use and required extensive training for new users.

Faribault embarked on a digital transformation initiative and decided to search for a new cloud solution that would take advantage of the latest technologies such as AI and machine learning to achieve better forecast accuracy, while being easier to use and lower cost to operate.

Why New Horizon

Faribault evaluated New Horizon and two other solutions: a product from its ERP vendor, and a new cloud application from its legacy system vendor. After a careful evaluation, they decided to go with New Horizon for the following reasons:

- Better forecast accuracy from using advanced technologies including AI, machine learning, and Facebook Prophet forecasting technology, while automating the process to insulate Faribault from technical complexity
- Fastest implementation time and time to value
- Modern and intuitive user experience
- Lowest TCO

Go-Live in One Month

They kicked off their New Horizon Demand Planning implementation in early February 2020 and went live a month later. They then started the New Horizon S&OP implementation and went live at the beginning of April 2020. Each product was deployed across all of Faribault’s operations, including four distribution centers, 1800 items, and 1100 customer locations. Eighteen users from Faribault’s supply chain and sales organizations use the system. Transaction data is imported from their SAP ERP system, and plans are exported to Faribault’s SAP Advanced Planning and Optimization (APO) application. Trade promotion plans are imported from Faribault’s Vistex Trade Promotion Management solution.

Just as Demand Planning went live, the pandemic started and caused lockdowns across the U.S. The company was faced with uncertainty over raw materials supplies just as consumers started stockpiling Faribault’s products. Historical demand patterns became meaningless as a guide to future demand. March and April demand skyrocketed. Then sales fell as Faribault inventories were depleted and consumers cut back on pantry loading.

To adjust to the demand shock, Faribault modified its business processes and took advantage of New Horizon’s advanced capabilities:

- Faribault focused on fast movers and monitored them weekly, while re-

viewing slow movers monthly. This was facilitated by New Horizon's automated demand segmentation capability.

- New Horizon's forecasting engine automatically compensated for the skewing of demand history caused by the pandemic, so that future forecasts would be accurate.
- Faribault increased the frequency of its S&OP process from the traditional monthly cycle to weekly and even daily in some cases. This was facilitated by New Horizon's ability to integrate up-to-date information from ERP systems in as little as a minute.
- Cross-functional teams consisting of sales, manufacturing, planning, and the executive team collectively resolved what products to produce and how to allocate limited inventory.

Improved Agility, More Accurate Forecasts, Intuitive UX, and Lower TCO

Faribault's forecast accuracy understandably took a hit because of the pandemic, but it quickly recovered, and in fact they gained market share because they anticipated demand better than the competition. While the pandemic is behind us, Faribault must still manage uncertainty, whether caused by business disruptions, competitive activity, or the whims of consumer demand. With their new AI-powered solution, battle tested during the pandemic, they are well prepared for what the future brings.

Faribault has achieved the following business benefits from their implementation:

- Low implementation costs and quick time to value resulting from the rapid deployment (one month for Demand Planning and one month for S&OP)
- A 10% decrease in forecast error compared with the prior solution
- Quick and agile response to supply chain disruptions and changes in market conditions
- Intuitive user experience resulting in greater adoption, higher planner productivity, and less need for training
- Lower support costs and TCO
- Increased service levels, sales, and market share resulting from more accurate forecasts and reduced out of stocks

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