



## Oberto Sausage Finds the Right Recipe for Forecasting

### Profile

Oberto Sausage Company is a leading manufacturer of meat snacks and sausage products. Based in Kent, Washington, the family-owned company has been in business for more than 85 years. Its brands include *Oh Boy! Oberto*, *Lowrey's Meat Snacks*, *Pacific Gold Meat Snacks* and *Smokecraft Real Smokehouse Snacks*. Oberto sells its products directly to mass merchandisers and major supermarket chains.

### Challenges

As a leader in a category which has experienced consistent double-digit growth and where event-driven demand is always present, Oberto needed a forecasting system which would allow them to:

- ◆ routinely model and forecast ongoing “base” demand;
- ◆ easily incorporate field-based knowledge of expected deviation from base demand;
- ◆ keep track of changes to the forecast along with the assumptions underlying those changes;
- ◆ develop consumption-based forecasts for key business segments and integrate those forecasts into the overall forecast, and;
- ◆ maintain an optimal balance between forecast quality and the complexity, cost and resources devoted to generating the forecast.

Eric Kapinos, Director of Forecasting and Planning at Oberto, is a veteran forecaster who began his career in the early-90's as a Forecast Analyst for Starbucks Coffee. Over the years, he has served on several forecasting teams, developing forecasting processes and selecting/implementing solutions to support those processes. The solutions have ranged from home-grown, Excel-based systems to commercially developed, large-scale planning systems.

Kapinos notes, “I started out being a big believer in consensus forecasting and collaboration. But I came to realize you never have absolute consensus, and collaboration should only be used where it's adding value.” At Oberto, Mr. Kapinos has structured a successful forecast process that combines statistically-based modeling approaches with judgmental input. The process is executed by a focused team of individuals, each of whom adds unique value to the forecast. The tools used to support the process are Forecast Pro Unlimited, Forecast Pro Unlimited Collaborator and Forecast Pro XE.



## Solution

“We have a full compliment of Forecast Pro products at Oberto,” explains Kapinos, “We use Forecast Pro Unlimited as the main foundation for our demand forecasting process—it’s where the forecast is generated and maintained. After we establish the forecast, it is fed into our ERP system where it drives procurement, planning/scheduling and plant execution.”

“One of our biggest forecasting challenges is really understanding what our true baseline demand is. We start by creating a relatively conservative base forecast that’s statistically-driven off history. Most of the time, we utilize the Expert Selection in Forecast Pro Unlimited. To accommodate abnormal conditions in the history, things that happened that aren’t expected to happen again in the future—promotions, weather, outliers—we use event models. That’s our starting point”.

Next, this base forecast (or, as Kapinos terms it, the “*Business as Usual*” forecast) is passed off to the Demand Manager and Customer Service Representatives (CSRs) who review it in Forecast Pro Unlimited Collaborator. The CSRs are responsible for making changes to the base forecast, incorporating field-based knowledge of expected deviation from base demand. Kapinos notes, “The forecast team interfaces directly with the sales team and often has knowledge of unusual conditions, things that wouldn’t be reflected in the history. Their job is to make sure the forecasting process captures this ‘*Business as Unusual*’. When appropriate, they use Forecast Pro Unlimited Collaborator to enter forecast overrides—replacing the statistical baseline forecast.”

The other integral players on the Oberto team are the Forecast Analysts. The Forecast Analysts focus on important customers for which consumption data is available. They use the dynamic regression (causal) modeling capabilities in Forecast Pro XE. Kapinos explains, “For higher value Business Units the Forecast Analysts build causal models to capture promotional events or any other unusual conditions in the marketplace, and the results are then moved into Forecast Pro Unlimited as overrides. The Forecast Analysts concentrate on the 20% of our customers and events that drive 80% of our volume.”

## Results

After initially employing a more complex and widely-deployed forecasting process and system, Oberto has opted for a more focused and streamlined approach using Forecast Pro as its backbone. Notes Kapinos, “There’s a sweet spot really. What you don’t want to do is have a sales team rolling up an SKU-level forecast for every SKU-by-week. We use our sales team to provide intelligence only when history doesn’t tell us what’s happening—and this approach has worked well.”

“Having a place to retain overrides and maintain notes systematically—just good administrative practices with forecasting—is very, very useful. Even as simple as it is in Forecast Pro, it is powerful functionality. We’re able to quickly review our forecast overrides and understand why they were made.”

Kapinos points out key benefits of the forecast process at Oberto, “We’ve been able to sustain years of double-digit growth while inventory value has remained constant. We’ve also been able to strategically identify potential gaps in our plans where we may have shortfalls with important customers and move proactively to fill those gaps.”

“Our forecasts are used for everything from planning/scheduling all the way up to revenue projection by the executive team.”