



Case Study – Inventory Optimization

Through case studies we like to share some of our successes to give you an idea of how we help our clients improve their business results.

Company

The company, that prefers to remain unnamed, is a small wholesale-chain with a focus on catering professionals. Their clients include restaurants of all types, as well as companies that offer canteen services to their employees. They have an active assortment of approx. 40.000 products that splits in four main departments: Fresh Food, Packaged Food, Drinks and Non-Food.

Business Issue

The amount of money invested in inventory in the Packaged Food and Non-Food departments had grown to a point where senior management started to ask questions if that was really needed. Since the increased inventory levels didn't result in increased sales, it made sense to investigate ways to reduce the inventory and release the investment for more profitable activities. As the client's internal IT system didn't allow them to do this, another solution had to be found.

Solution

We exported product, stock and performance data out of the IT system using its standard reporting capabilities. This data was then cleaned up where needed, merged and stored in a database, allowing us to analyze it in many different ways. In these analyses, we focused on two different scenarios:

1. Obsolete products. I.e. products that were still in stock, but didn't have any sales the last 12 months.
2. Products where the company wasn't taking full advantage of the supply chain skills from their suppliers.

The outcome of the first scenario was delivered in a set of actionable reports for each store. For each category the applicable products were listed with details like article-number, description, subcategory and supplier, so that the responsible person in the store could easily identify the products and take the appropriate actions as identified by the Category Management team. (Usually this meant a price-down and "end-of-line" promotion approach.)

The outcome of the second scenario was delivered to the buying team, who could use this information to ensure purchase quantities and frequency were better in line with actual stock levels and sales.

Results

The management team got what they were looking for:

In the Non-Food department obsolete products accounted for nearly 10% of the value of the inventory, so a significant reduction was possible. They were delisted from the assortment, and instructions were given to the stores to actively remove these items from the inventory through "end-of-line" promotions with attractive discounts. Something that could be used as a marketing activity to create some additional excitement for the customers as well.

In the Packaged Food department the opportunity for taking better advantage of the suppliers' supply chain skills such as delivery frequency and lead-times was even bigger! By balancing supply and customer-demand better, an inventory reduction of between 15% and 20% was possible.