• **BUSINESS**

The importance inventory management in Retail

Written by Carlos Villamar

Introduction

Inventory management is essential for the efficient and sustainable operation of any company. It has an impact not only on product availability, but also on maximizing business profitability by optimizing working capital.

Despite the relevance of supply and replenishment processes, it is common for companies to face problems such as: surpluses, shortages, lack of collaboration between areas, among others.

Delphus Consulting has worked with its clients in the transformation of their inventory planning processes, designing and implementing models that connect with the operating management of the business, promoting both data analytics and intelligence as well as collaboration mechanisms between areas relevant to inventory management. This comprehensive approach focuses on ensuring that those responsibles have full understanding of the processes to be executed and the key indicators to be monitored for informed decision making.

These projects have been complemented with the installation and execution of the Tandrify inventory planning and management tool, which serves as the main enabler for the continuous optimization of inventory processes.

The implementation of our solution has resulted in multiple success stories, where business objectives have been achieved by optimizing inventory levels and maximizing customer service.

Success stories

Retail companies, specialized in the purchase, distribution and wholesale and retail sale of merchandise at a local, regional, national and international level, asked us to establish inventory control processes both in its distribution centers and in its stores.

The solution approach resulted in the reduction of working capital and excess inventory as well as a clear decrease in stockouts.

Solution Approach

The following actions were carried out in the operations of the client:

1. Identification of key personnel. Creation of inventory planning functions and support in recruiting suitable personnel.

2. Design of management model. Definition of specific business rules per client, execution of centralized inventory and supply planning processes, implementation of critical indicators and routines to enable the designed processes.

3. Implementation of Tandrify as a technological enabler. Real-time connection of the tool with ERP, cleaning and debugging of catalogs, training in the use of the tool to execute the designed management processes and elements.

Results obtained

Case 1 – Grocery Retail

The main objective was to decrease stockouts on both Distribution Center and Stores, rather than minimizing net working capital. The benefits of the project can be identified by comparing the client's performance in the implementation period against the same period of the previous year:

Business enablers

· Creation of Dashboards for the daily quantification of key indicators such as shortage, working capital, fill rate, otif, lost sales, among others.

· ABC Inventory classification

· Development of routines for reviewing parameters loaded into the Tandrify tool.

· Training and implementation of the operational management model with weekly meetings between departments as the main mechanism for the creation of actionables and identification of potential areas of optimization.

Quantitative benefits

•   75.9% of the client's Total Sales in the implementation period remained with a Shortfall of less than 2.44%.

•   Stockout reduction in Stores from 7.01% to 5.85%, without increasing coverage.

•   Products with direct distribution from the supplier, whose sales represent 65% of the total, showed a decrease in the stockouts from 4.90% to 3.56%.

•   Inventory rebalanced to faster moving products resulting in coverage from 29.9 days of inventory to 29.6 days of inventory.

•   Decreases in the coverage of products distributed from CEDIS, with a drop of 18.1%, that is, from 15.0 DDI to 12.3 DDI.

 Case 2 – Retail Office Supplies

After 3 months of implementing Tandrify and inventory planning and replenishment processes to CEDIS and Stores, the following benefits were obtained:

Business enablers

• Creation and hiring of a centralized team for the execution of the designed processes.

• ABC Inventory classification

• Creation of new management indicators for the organization such as shortage, surplus inventory and coverage.

• Implementation of boards of directors to enable inventory management in branches and generate actionable actions to optimize it.

 • Implementation of campaigns to balance excess inventory and zero movement to boost sales.

Quantitative benefits

• Reduction of Inventory Shortage in CEDIS: 23% to 12%.

• Reduction of Stock Outages in Stores: 10.5% to 7.5%.

• Decrease in working capital at the point of sale: $24 million (24%).

• Reduction of excess inventory at the point of sale: $30 million (55%).

• Decrease in zero-movement inventory at the point.

In Delphus Consulting we help you diagnose, design, and implement customized solutions that guarantee a bridge that connects your company's strategy with the necessary execution.

Tel. +52 (81) 2519 1194

info@delphuscg.com