Supply Chain

Reduce inventory levels to release working capital

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The Big Picture

A Fortune 100 CPG company had a diverse portfolio of products along with high SKU level complexity. One of the issues that the company faced was a high working capital blockage due to elevated cycle and safety stock inventory levels. The goal was to analytically determine the right levels of this stock without impacting the service, also while generating supply chain cost savings.

To manage a complex portfolio with irregular demand and high seasonality, it was necessary to get the demand forecast right in order to direct other downstream processes. The importance of lead time variability and stock on-hand would further streamline end-to-end inventory optimization. A more accurate demand forecast and visibility over lead-time variability would allow for effectively predicting the required inventory levels to attain target service levels.

Transformative Solution

The following demand and supply planning processes, were used to solve the company's challenges:

- Generated an accurate demand forecast using demand sensing algorithms.

- Used this demand forecast to predict safety stocks to arrive at minimum and maximum inventory norms.

- Leveraged the predicted safety stocks to find impact on desired service levels by simulating its effectiveness, therefore determining the right inventory norms and releasing savings.

The Change

As a result, the working-capital block was reduced by 26%, releasing $5Mn for one of the client's top brands, based in Brazil. The average target days of supply were reduced by 33%, the projected service levels were 99.9%, and the total target days of supply for eight out of nine brands was decreased.

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