

## Inventory Service Levels and Exceptions

*Detailed evaluation of inventory management processes and systems that dramatically improved the retailer's inventory position.*

### The Client

A \$2+ billion, nationally recognized multi-channel retailer of softlines and hardlines products using a recently installed "best of breed" replenishment system.

### The Challenge

The inventory planning and replenishment organization was faced with increasing pressure to reduce inventory and drive efficiency into their replenishment practices. In addition, their replenishment system was operating under the same specification in which it was installed, which did not meet the client's needs.

The executive team challenged the replenishment team with fixing their replenishment system as well as implementing replenishment management processes that would improve future system capabilities and inventory performance.

### The Parker Avery Solution

The Parker Avery Group leveraged expertise in replenishment systems to evaluate four key areas of the client's replenishment system including: target service levels, forecast exceptions, seasonal profiles, and store order cycles. Data integrity was also assessed.

Parker Avery began defining a solution by developing several hypotheses based upon initial observations of the inventory organization and systems. This was followed by a detailed analysis of key areas of the replenishment system and inventory management processes, including:

- Analysis of the replenishment system source data

- Service-level simulations
- Evaluation of safety stock parameters
- Review of merchandise planning processes
- Evaluation of forecast parameters and seasonal profiles
- Development of strategies to reduce forecast exceptions

Through this process, Parker Avery developed tactical recommendations for optimizing the replenishment system and a roadmap for improving the company's replenishment processes.



### The Result

The client was able to selectively reduce safety stock by 10-30% and store inventory by 2.5-7.5% and redeploy these savings to increase sales by 30-60 basis points. The client has also experienced a significant reduction (>50%) in the number of forecast exceptions that were caused by incomplete partitioning of promotional demand and inappropriate parameters that were set by default during system installation.