



Retailer Boosts Results by Transforming Its Replenishment and Inventory Processes

Client Challenge

The client is a \$2+ billion, nationally recognized multi-channel retailer of softline and hardline products using a recently installed replenishment system. However, the retailer's new replenishment system was not configured to meet the client's specific needs. The inventory planning and replenishment organization was faced with increasing pressure to reduce inventory and drive efficiency in its replenishment practices. The executive team challenged the replenishment team to fix the system as well as implement new processes that would improve replenishment capabilities and inventory performance.

Parker Avery Solution

The Parker Avery Group evaluated key areas of the client's forecasting and replenishment systems, including seasonality, forecast exceptions, target service levels, and store order cycles. The team also assessed the retailer's data integrity.

Parker Avery began defining a solution by developing several hypotheses based on initial observations of the inventory organization and systems. This was followed by a detailed analysis of the retailer's replenishment and inventory 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 demand drivers
- Development of strategies to reduce forecast exceptions

Parker Avery developed tactical recommendations for optimizing the replenishment system and a roadmap for improving the company's replenishment and inventory processes.

RESULTS



REDUCED SAFETY STOCK



IMPROVED SALES



REDUCED FORECAST EXCEPTIONS

After implementing Parker Avery's recommended system changes and new replenishment and inventory processes, the retailer selectively reduced safety stock by 10-30% and store inventory by 2.5-7.5%. These reductions drove a 30-60 basis point improvement in sales. 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 the initial system installation.

