RECOMMENDED OPTIMAL INVENTORY MIX ACROSS DISTRIBUTION CENTRES

For A Leading Distributor Resulting In $10M+ Cost Savings

Tredence
Connect the Dots

ABOUT THE CLIENT

The client is a leading plumbing and HVAC distributor based in the US.

CHALLENGE

Client had 10 DCs across the US, most of which were facing critical space constraints due to slow and non-performing inventory. This was causing backorders for high performing SKUs as well as the inability to stock new SKUs. The task was to identify low-performance inventory and reduce losses by optimizing the mix of SKUs required to stock and efficiently manage inventory levels.

APPROACH

To address this, we took the following approach

- Identified key performance characteristics of SKUs (sales, customer count, regularity of sales, affinity to other SKUs and seasonality) that affect the stocking strategy
- Classified all considered SKUs based on these characteristics and consolidated them to create a tiered structure
- Stocked the top tiered SKUs based on demand forecasts and defined rationalization strategy for bottom tiers
- Identified gaps in the existing stocking analysis based on these recommendations to improve future stocking strategy

KEY BENEFITS

- ✓ *4% incremental storage slots that can be freed up by rationalization*
- ✓ *Reduction in backorders and lost sales due to unavailability of stock*
- ✓ *Reduction in holding cost of low performing SKUs*

RESULTS

- The analysis and recommendations helped the client understand the gaps in their current tiering and stocking analysis process.
- The client was able to rationalize low-performing SKUs which led to additional revenue while cutting down on its holding and ancillary cost. The flexibility to stock more and newer SKUs also improved due to availability of space.
- Customers SLAs improved because of lower backorders, faster fulfilment due to stock availability and a broader range of products.