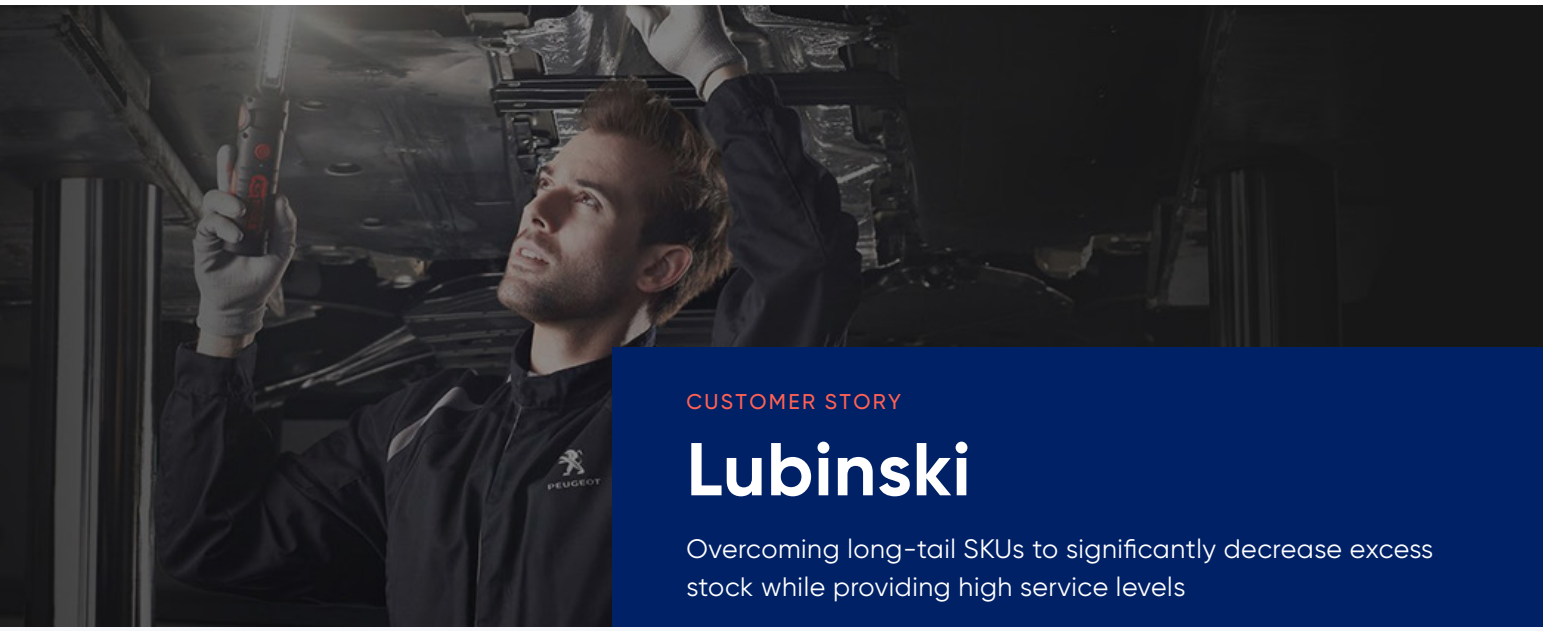

CUSTOMER STORY

Lubinski

Overcoming long-tail SKUs to significantly decrease excess stock while providing high service levels

Challenges

Lubinski faced a challenging environment of managing more than 20K slow moving items in their warehouse. Planning was done with fixed and manual methods. Although having two full-time planners, stock levels was still increasing forcing write-offs due to obsolete items. Above all, implementing a new ERP system contributed to the instability of the supply chain.

Industry

- Wholesale Distribution

Solution

- Demand Forecasting & Planning
- Replenishment

Results

- 25% stock decrease
- A stable service level of 95%+
- Rush air shipments slashed by a third
- Increased planning productivity

Company Overview

Founded in 1936, Lubinski is Israel's sole importer of Peugeot and of Citroen vehicles and spare parts and one of the country's leading privately-held family businesses. Since its inception, the company has accumulated vast expertise and experience of the local automotive market and continued to invest in new technologies and training programs for its 620 person workforce. Lubinski has grown and diversified into

many related areas, but automobile import and distribution remains its core business, along with repair services and spare parts sales.

Project & Objectives

When it came to supply chain planning, the spare parts business for Israeli automotive importer Lubinski Group didn't quite have a 'burning platform to modernize. As the exclusive Israeli spare parts supplier for Peugeot and Citroen, it had a dedicated channel of 35 dealerships, little competition and was profitable. As a private family-owned business, it also wasn't beholden to shareholders. Their philosophy: "If it ain't broke, don't fix it".

A closer look under the hood however, revealed a somewhat less rosy picture. Lubinski had been wrestling with two competing approaches to inventory management for its roughly 20,000 SKUs, 75 percent of which were slow-moving 'long-tail' items (less than one order-line every three months).

> **"My only regret now is not upgrading sooner! I'm immensely proud to be passing on a highly efficient, productive spare parts operation that provides exceptional service and is ready for the future."**

One of its planners employed a policy of holding 100 days of inventory for every item. This had the advantage of simplicity, but a fixed number of days was wrong for most items. Stable, fast movers like brake pads were always overstocked.
On the other hand, for slow movers like hoods and doors, 100 days could translate into only one or two units, often insufficient to handle demand variations and creating the need for expensive air shipments from the supplier.

The other planner's approach was to segment the inventory and apply different policies for different groups of items - classic 'ABC' modeling. However, putting this into practice when dealing with 1000 replenishment proposals every week was proving far too complex and time-consuming for its manually-intensive decade-old legacy systems.

Fortunately, modernization was underway. Lubinski had completed a two-year transition from IBM's AS400 ERP system to Microsoft Navision. Their technology partner, Rasner Logistics Software, convinced Lubinski that it could break its planning impasse by integrating its new ERP system with ToolsGroup's SO99+ to build an advanced system that was fully-automated and self-learning. Lubinski stood to gain the best of both approaches - simplicity and optimal stock levels for all items. The goals were to optimize inventory and lower costs associated with obsolescence, excess safety stocks and expedited air shipments.

Day to Day

Rasner worked alongside Shalom Asayag, Service and Aftermarket Director, and his team

to fine-tune optimal replenishment policies for all of Lubinski's SKUs. Popular fast-moving items, for example, are assigned the highest service levels. Since these are the items typically used for maintenance routines, their absence damages the service reputation and stands to affect many customers. New items (zero to two years old) with fewer than three sales are assigned slightly lower service levels. This is because it's unknown whether a new car model will succeed or when it will be replaced. If a part hasn't sold for more than a year, the system can automatically change its status to make-to-order.

The SO99+ system is fully automated and 'self-driving' to the point that Lubinski almost never needs to override the replenishment proposals that SO99+ recommends. It takes only one planner a day a week to handle all inventory planning and replenishment. Both planners now devote their time to more valuable work like customer relations, set new items and manage customer orders for non-stock items.

Results & Benefits

For a company initially reluctant to modernize, Lubinski's spare parts supply chain is now a competitive advantage. Planning is fast, simple and precise across the company's entire portfolio. Compared to the situation at the outset of the SO99+ implementation:

- Inventory levels are 20-30 percent lower without compromising their 96-97%
- service levels (well above industry benchmark)
- Rush air shipments slashed by a third
- €1.5 million first-year savings attributed to inventory reductions alone
- Further reductions in inventory write-offs and providing complimentary rental cars
- Significantly raised planning productivity (from 2 full-time, to one part-time)

Shalom Asayag is approaching retirement and preparing Lubinski's DC manager to step into his role. Having an automated planning system in place eases the transition and avoids knowledge gaps since it is not as dependent on manual experience and intervention.

He concluded: "My only regret now is not upgrading sooner! I'm immensely a highly efficient, productive spare parts operation that provides exceptional service and is ready for the future."

+ About ToolsGroup

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