



CUSTOMER STORY

Nordic Food Company

Optimizes inventory to the satisfaction of its customers

Challenges

This company struggled to balance the conflicting demands of high availability and capital tied to inventory. Like many food manufacturers, it often favored service levels to meet the tough demands of their customers. This often meant holding artificially high safety stocks to ensure availability.

Industry

- Consumer Goods - Food & Beverage

Solution

- Demand Forecasting & Planning
- Inventory Optimization

Results

- Satisfied investors, customers and employees
- Inventory reduced more than 10%
- Working capital requirements reduced by over 20 MSEK
- Retail channel service level increased overall, from 96% to 98%

Company Overview

Quality and a love of food make this organization the leading food company in the Nordics. It has a large selection of frozen food and grocery products in its range, including products not only for supermarkets but also restaurants and catering industries.

Project & Objectives

The company turned to Opton. Opton's proven ability to provide a solution that can guarantee product availability over time, according to desired inventory investments and service targets, along with the possibility to automate business processes, could provide significant benefits.



With the benefit of reliable, up-to-date data, we treat inventory in a totally different and structured way. Members find it much more satisfying and even fun to work with this data because they know it's going to be used somewhere, and they get immediate feedback. Also, because they don't have to spend all their time manually crunching numbers, they're freed up to engage in more valuable work."

- Supply Chain Director

The solution understands each SKU's characteristics in terms of variability and other properties like seasonality. Unlike traditional ABC classification with aggregated service levels, this allows for truly understanding how individual products behave, and what availability costs in terms of inventory investment. In other words, product mix is truly optimized.

Based on Opton's proposal, the team prepared a business case with the goal to cut SKR 10 million (1.1 million €) or roughly 10 percent of finished goods inventory. The solution was to be based on Service Optimizer 99+ (SO99+) from Opton's IT partner ToolsGroup. Opton and the company started by building a full-scale pilot that successfully went live in just four months. After a few months of additional building and testing, SO99+ was moved on premise. One person now has the chief responsibility for managing the SO99+ solution and roughly 15 people in Sweden and Norway contribute their planning input.

The company's safety stocks levels are updated every month, rather than every six months. Crucially, the new system has allowed a change from a 'onesize- fits-all' to treating each channel and product differently according to its unique demand patterns, volumes and other properties.

Results

The company pulled off the difficult task of satisfying its investors, customers and unexpectedly, its employees. It beat its original goal to cut inventory by more than 10%, reducing working capital requirements by SKR 12-13 million. In addition, the team was able to grow service levels, from 96% to 98% in the retail channel. This made for a more engaged planning team.

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