



CUSTOMER STORY

Ackermans

ToolsGroup Provides Visibility Into Premier Retailer's Stock Mix

Introduction

Ackermans faced regular and lengthy stock-outs. The company needed a solution to help improve inventory management and apply bottom-up and top-down views of products across various hierarchies. Ackermans also needed to transition users from its legacy system to a new replenishment and demand forecasting tool.

Industry

- Retail

Solution

- Demand Planning and Forecasting

Results

- 10 percent decrease in excess stock
- 5 percent increase in product sales
- Improved and standardized demand forecasting
- Visibility into SKUs at all levels
- Enhanced procurement of correct product quantities and reduced stock-outs
- Increased collaboration between planners and buyers
- More streamlined ordering process

Ackermans (www.ackermans.co.za) is one of the oldest names in consumer retailing in South Africa, dating back to 1916 when the first store opened in Cape Town. Ackermans sells babyware, baby furniture, consumer goods, apparel and financial services products. Known for its high quality and value, Ackermans caters to the entire family. Through the years, the company has grown to more than 450 stores located across Southern Africa.

Inaccurate Forecasts Lead to Under- and Overstocks

As with any large retailer, it is important to have the right products on the right store shelves at the right time.

Ackermans, at a national level, understood this was not happening within their stores to the extent necessary to maintain proper profit margins in an ultra competitive industry.



ToolsGroup has taken us to the next level of replenishment without overtaxing us."

- Bower Strydom, Planning Manager,
Children's Special Business Unit, Ackermans

"We had a very basic replenishment process that we used to run through another vendor's business forecasting system, and then pushed the forecast back into the replenishment system," said Neil Muller, Ackermans head of the project management office. "It was a homegrown system, not really integrated at all at Ackermans, and not very user friendly to current or new users.

"We would often be out of stock at the store level in some SKUs, and the SKUs we were not selling were often in

overstock because the forecasts weren't accurate. We knew we needed to move away from that approach."

Needing to Simplify the Inventory Ordering Process

Under the previous approach, inventory ordering was based haphazardly on either the other vendor's business forecast system or user forecasts. Orders would span an entire season with no visibility into the current state of inventory on hand that could be linked to forecasts and supplier lead times.

Ackermans also couldn't manage any exceptions upfront if the forecasts did not meet the actual revenue. That meant users frequently had to be reactive to any changes or exceptions, but by then, it was almost universally too late to have a significant impact on managing demand at the store level—or managing stock levels in the warehouse.

The problem was particularly acute in the breakdown of the clothing sizes that are available.

Those styles are made up of five SKUs – extra small, small, medium, large and extra large. Previously, actual inventory forecasting occurred at the style level and not with the SKUs. The end result often would be not enough of the right sizes and too many of the wrong sizes – a frustrating situation that consumers everywhere know all too well, and one that leads quickly to lost sales.

The last thing Ackermans or any retailer needed to hear about were consumers walking out the door saying, “They never have my size.”

The challenge for Ackermans was simple enough – it needed a system that would offer visibility from the bottom up and the top down into the stock mix. The solution was ToolsGroup Demand Planning and Forecasting.



We determined that the demand forecasting solution from ToolsGroup would be able to grow with us, as opposed to us having to grow into it.”

- Boucher Strydom, Planning Manager, Children’s Special Business Unit, Ackermans

“We needed something that wasn’t too complicated or so overly sophisticated that it was going to make users run for the hills,” said Boucher Strydom, Ackermans planning manager for the children’s SBU. “It also couldn’t be too complex or expensive for us to maintain at Ackermans. It had to fit in with our ongoing business processes without us having to re-engineer anything to fit replenishment. We determined that the demand forecasting solution from ToolsGroup would be able to grow with us, as opposed to us having to grow into it.”

Demand Forecasting Tool Fits to a T

In practice, Muller said the ToolsGroup Demand Planning and Forecasting solution has fit Ackermans to a T – as evidenced by a recent example involving one of the most basic SKUs it sells, small men’s white T-shirts.

In the past, actual sales and subsequent stock checks of that SKU would mysteriously counteract each other, resulting in adjustments that didn’t make any sense.

However, within the first few weeks of the ToolsGroup Demand Planning and Forecasting implementation, a program manager excitedly reported to Muller that he could actually see sensible adjustments being made for size small white T-shirts at a particular store.



For me personally, that was the ‘Aha!’ moment – having the visibility into your SKUs at the lowest level if you need it.”

- Neil Muller, Head of the Project Management Office, Ackermans

In the old days, that store might have gone two to four weeks without receiving a single unit of size small white T-shirts, despite the previous stock being sold out.

“For me personally, that was the ‘Aha!’ moment – having the visibility into your SKUs at the lowest level if you need it,” said Muller. “That was very exciting. Initially, we saw the sales go up. Stock levels went up as well, which is what we anticipated. But in the case of this store, stock levels are quickly coming back down now in line with demand.”

Another important confirmation of the visibility ToolsGroup provides came from one of Muller's replenishment analysts who has a degree in applied mathematics.

With her math background, she was able to comprehend the algorithms behind the software's forecasts to determine that they are accurate and continue to provide value beyond what was originally expected from the ToolsGroup implementation.

"For instance, she saw a drop off in sales in an area of children's clothing and she wanted to know what was going on," said Muller. "Through ToolsGroup Demand Planning and Forecasting solution, I was able to determine that there was a problem with the pricing with that particular product at the moment – it wasn't the keenest price in the marketplace.

"Until they change the price and bring it down to be on par with the other competitor products, she will continue to see sales going downwards. But more importantly, this is the kind of trend that we can now start picking up at the top, so we can make quick business decisions from there that are critical for our stores to remain competitive."

Lowering Excess Stock, Increasing Product Sales



ToolsGroup now provides me with an accurate SKU sales forecast enabling better procurement of the correct quantities and reducing stock-outs."

– Bouwer Strydom, Planning Manager,
Children's Special Business Unit, Ackermans

Overall, Strydom said Ackermans has been measuring the products since the ToolsGroup implementation and the results have been excellent – for instance, excess stock has been decreased by 10 percent and sales for the products have increased by 5 percent.

"ToolsGroup now provides me with an accurate SKU sales forecast enabling better procurement of the correct quantities and reducing stock-outs," he said. Based on these early returns, Ackermans believes it can now achieve much greater visibility into its inventory both from the bottom up and the top down, enabling it to better manage the mix.

The demand forecasting process is now standardized at Ackermans, with forecasts correctly tied up to the net requirement.

Demand at both ends of the supply chain is now tied into warehouse stock levels based on forecasts and lead times from both stores and suppliers. In addition, inventory planners and buyers are working more closely together since the buyers now have visibility into inventory plans.



One of the most important changes we see now is a stabilization of the sales lot because we are in stock with the right items at the right store."

- Neil Muller, Head of the Project Management Office, Ackermans

That has also helped streamline the ordering process.

"One of the most important changes we see now is a stabilization of the sales lot because we are in stock with the right items at the right store," Muller said.

"We are also getting a better handle on our supply chain since it is based on actual needs now. We are holding the stock in our distribution centers and not in our stores. Those are the areas where we are really starting to see the benefits as we complete the ToolsGroup Demand Forecasting rollout."

+ About ToolsGroup

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