

JustEnough Reduces Safety Stock for Massdiscounters by 42%



Industry

Discount Retailing

Challenges

Massdiscounters required a solution that would automate forecast-to-replenishment processes to increase human resource efficiencies, increase accuracy, optimize safety stock and improve customer service levels.

Solution

Massdiscounters implemented JustEnough's UnLimited Demand Forecasting and Inventory Planning solution.

Results

The output from the replenishment process that required editing reduced from 50% to only 10%. Stock cover not only reduced by 42% from 120 days to 70 days; it also released over \$167 million previously tied up in stock. Massdiscounters' ROI was less than three months.

“ We were particularly impressed with the demand forecasting and managing of promotions capability of JustEnough. ”

— Jay Currie
Business Systems &
Process Director

Automating Demand Forecasting and Inventory Planning

Massdiscounters manages a chain of 70 large retail discount stores under the brands of Game and Dion retail stores as a division of Massmart Holdings.

Massdiscounters sells a wide range of general merchandise and non-perishable groceries at discount prices. Over three million SKUs general annual revenues of over \$1 billion, while 40,000 SKUs are active in any one store.

"A big drive for us has been to improve availability of our merchandise, eliminating excesses and stock outs in our inventories, and thereby consistently improving customer service levels," says Jay Currie, Business Systems and Process Director.

Manual forecasting and replenishment operations relied heavily on costly human resources. A team of 20 replenishment clerks would physically review and handle reams of orders, while buyers got involved in the process at least 60% of the time.

As a result, demand forecasting and inventory planning were not only time-consuming, they kept vital resources away from more valuable activities. Massdiscounters' goal was to automate its replenishment processes as much as possible while improving the accuracy and consistency of its forecasting.

JustEnough was engaged to:

- ❖ Automate the forecasting and replenishment of over three million SKUs
- ❖ Reduce safety stock levels
- ❖ Improve availability

Automation

Clerks previously edited at least 50% of the output from the replenishment system. By switching to JustEnough's exception based system, they now only edit 10% of the output.

Priority lines are now processed faster and with a greater degree of confidence, with buyers only handling 30% of items and the remaining 70% being processed automatically. Promotional stock ordering is also less cumbersome. It is now handled by the replenishment clerks, and the tie-in to advertising campaigns is more accurate, with promotional in-stock on replenished lines at 97%.

Reduced Inventory

With JustEnough, Massdiscounters is able to look at its inventory modeling and develop the most profitable scenario for the unconstrained demand within the constraints of the existing supply chain. Variables analyzed include profitable customer service levels, most efficient replenishment methods and key products that have the greatest influence on the performance of the business.

The results have been striking. When Massdiscounters first engaged with JustEnough, they carried 120 days stock cover. A year after implementation, this was reduced by 42% to just 70 days cover, a reduction of some \$167 million that was tied up in stock at any one time.

“JustEnough possessed the capability of growing with our business needs, and we knew from its track record that it was in the market for the long haul.”

— Jay Currie
Business Systems &
Process Director

Improved Forecast Accuracy

Forecasting accuracy ensures the continued elimination of any variances between actual and model inventory levels. Accurate and proactive exception management (such as potential stock-outs or carrying of excess stock), with recommended corrective actions based on model inventory levels, allows for consistently lower safety stock without sacrificing service levels to customers. In fact, the results showed that service levels increased to 93.7% for all replenished lines and 94.5% for trading departments excluding footwear and clothing departments.

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Founded in 1994, JustEnough is a global leader in Demand Forecasting and Demand Planning solutions. Available on-demand and on-site JustEnough's Demand Management solutions help retailers, wholesale distributors and manufacturers of every size, across a breadth of industries, inventories and supply chains to forecast their customer demand and plan their sales and operations.

JustEnough's services more than 200 of the world's leading brands including Replenishment of **Levi Strauss's** North American stores, Inventory Planning at **Philips Lighting**, Demand Planning at **Seventh Generation**, Merchandise Planning at **Strandbags** and Master Production Scheduling at **John West Salmon**. Each year JustEnough calculates over 1.5 billion forecasts and recommends over 826 million orders to more than 8 million suppliers.