

## Philips Chooses JustEnough for its Demand Driven Inventory Planning

# PHILIPS

### Industry

Manufacturing Distributor

### Challenges

Based on a traditional 'push' inventory replenishment strategy Philips Lighting was experiencing an over-supply and over-manufacture of products.

### Solution

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

### Results

JustEnough enabled Philips Lighting to move to a demand driven supply chain network.

JustEnough is used to provide a 12 month rolling forecast of inventory where inventory distribution and replenishment is planned on a national scale; safety stock calculated on a statistical basis and replenishment to the distribution centers postponed until a "pull" signal is sent to the hub.

“ JustEnough calculates a 12 month rolling forecast of required inventory giving the manufacturing planning process a more accurate projection of inventory requirements. ”

— **Fabien Lamon**  
Global Support Manager  
JustEnough

### Moving from a 'Push' to Demand Driven Network Strategy

As a division of one of the world's largest electronics companies, Philips Lighting in North America has global revenues of over \$30 billion.

Managing 6 manufacturing facilities and 10 regional distribution centers, Philips Lighting manages around 75,000 – 100,000 active SKU plant combinations.

Philips Lighting approached JustEnough to assist in achieving optimal inventory levels throughout their supply chain, delivering the highest levels of availability at the lowest levels of inventory.

Historically Philips had been using a traditional DRP (distribution requirements planning methodology) or 'push' supply chain stock replenishment strategy - causing an over-supply and over-manufacture of products. While Philips' 'push' model should have produced recommend orders for the production facilities for up to two weeks, in practice these orders covered up to six months of safety stock. Too much inventory was being held at individual sites and there was little visibility into its broader network for re-distribution of products required to meet varying customer demand.

Philips required an overhaul of its process to achieve optimal levels of inventory, improve existing customer service levels, increase overall sales; and dynamically determine what the required levels of safety stock were to meet surplus demand. Supply and production constraints coupled with warehouse space constraints had to be taken into consideration with regards to replenishment.

JustEnough was engaged to

- ❖ Provide insight into holding stock methods
- ❖ Give visibility at a network level across multiple sites
- ❖ Pool excess inventory at multiple regional distribution centers
- ❖ Incorporate supply, production and warehouse space constraints in inventory planning

### Hub and Spoke Supply Chain Network

JustEnough is used as part of a refined 'hub and spoke' replenishment methodology.

Risk is pooled by holding safety stock higher up the supply chain, closer to the manufacturing facility in hubs – the source facilities – rather than situating stock at regional distribution centers, or "spokes." This means stock distribution and replenishment can be planned on a national scale, safety stock can be calculated on a statistical basis and replenishment to the distribution centers can be postponed until a "pull" signal is sent to the hub.

“JustEnough automatically sets safety stock levels at the hubs, using maximum levels at the spokes, generating alerts to rebalance supply with demand across the entire network.”

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Each Philips factory manufactures against a national sales plan while JustEnough accurately calculates order triggers for stock to be replenished in the hubs. In addition, JustEnough automatically sets safety stock levels at the hubs, using maximum levels at the spokes, generating alerts to rebalance supply with demand across the entire network.

Reliable safety stock levels at the hub means that risk pooling can occur at a central warehouse, reducing risk of fluctuating stock levels at the spokes, resulting in a reduction in total inventory holdings.

Benefits include:

- ❖ A single view of each product line, across multiple product versions
- ❖ A 12 month rolling forecast of required inventory giving the manufacturing planning process a more accurate projection of inventory requirements – the result is more adaptable and proactive manufacturing.
- ❖ A hierarchy of inventory items (particularly scarce items where most important customers are serviced first). When applying this to excess inventory, allocation is based on the model hub and spoke ratio.
- ❖ Network rebalancing in advance of placing manufacturing orders. This prevents over manufacture of items and ensures the correct redistribution of stock throughout the network.
- ❖ Ability to predict at a high level the percentage pallet position utilization will be in a rolling 12 month view. This identifies whether additional ad-hock warehouse space will be required in peak periods.

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Founded in 1994, JustEnough is a global leader in Demand Forecasting and Demand Planning solutions.

Available OnDemand, OnSite and OnMobile, JustEnough helps retailers and suppliers of every size and industry to forecast their customer demand, plan their inventory, sales and operations and then execute on those plans. JustEnough's services more than 200 of the world's leading brands including **Levi Strauss, Philips Lighting, Seventh Generation, Strandbags, John West Salmon, Heineken and Cadbury**. Each year JustEnough calculates over 1.5 billion forecasts and recommends over 826 million orders to more than 8 million suppliers.