

# Balancing Push and Pull Strategies

JustEnough Recommends Strategies to Help Companies Marry Their Push and Pull Replenishment Approaches to Improve Service Levels, Grow Market Share and Increase Profits

➤ By Greg Marmulak Companies oftentimes feel that they must choose between employing a push or pull replenishment strategy. Should they make goods available based on what they manufacture or purchase? Or should they base it on anticipated consumer demand that is determined by what their shoppers have already bought?

The former, referred to as a push approach, is the most conventional. Push planning is generally supply driven and is a successful approach when a company owns market share and controls demand for its products (think Apple and the iPad). But for businesses selling more common-place commodities, failing to incorporate consumer-demand data into the equation can result in many problems – including high product obsolescence, fewer inventory turns, reduced service levels and lower profits.

## The Pros and Cons of a Pull Approach

In response to the negative impacts a push environment may have on the supply chain, many retailers and suppliers have adopted a pull strategy for replenishment over the last 10 years. In this environment, the flow of goods is dictated by consumer demand. Instead of pushing product to store shelves and hoping consumers will buy it, businesses allow their inventory levels to be controlled by actual consumption using consumer-demand data. This replenishment strategy is especially important when it comes to products for which consumers have a lot of choices.

While there are many advantages to the pull approach – higher service levels, lower carrying costs, decreased inventory levels and fewer markdowns – there are some drawbacks. Chiefly, companies that rely solely on pull replenishment are susceptible to forecast inaccuracies if inventory



planning is done incorrectly. A forecast is simply a guess since consumer-buying behaviors are not always predictable. Basing a forecast entirely on what products sell or are invoiced for may result in a self-fulfilling prophecy in which the company only plans and replenishes based on past performance. In order for pull planning to be successful, it must be based on true demand. That alone can present a major challenge for today's companies. By pulling inventory into its network, retailers and suppliers can only carry inventory based on what they believe their consumers will want to purchase.

Companies employing a pull-only replenishment approach may also fail to have the right products in the right place at the right time. This happens if there are rules in place that could potentially drive sales outside of a company's typical picture of consumer demand. All too often, retailers that rely solely on demand-based replenishment hold inventory in their distribution centers instead of sending it to their stores – as such, consumers may not find the styles or sizes they want on the store shelf, forcing them to place orders with the store to receive the goods they want. This can irritate those who seek instant gratification when shopping.

## Balancing Push and Pull for Optimal Results

Why choose between a push or pull approach to replenishment? Marrying the two together can bring out the benefits and minimize the flaws in each approach. Businesses should take a two-step approach to balancing their pull and push replenishment strategies:

1. **Bring inventory into the distribution network based on anticipated consumer demand.** Companies should leverage the pull approach to ensure

they understand consumer-buying behaviors and that they're placing demand-driven replenishment orders.

- 2. Push product out to consumers as fast as possible.** Allocation rules that focus on push principles will ensure that product is available to customers as soon as possible to increase the likelihood that it will be purchased at full price.

Balancing push and pull strategies will help retailers increase inventory turns, resulting in a faster return on investment. From a consumer perspective, employing a set of push allocation rules ensures that they will find what they're looking for when they are shopping. This can help drive up service levels and increase market share for the retailer.

Suppliers also benefit from marrying push and pull replenishment strategies – especially if they participate in vendor managed inventory programs. They can fulfill demand-driven orders from their retailers, knowing that the product will be pushed out to consumers to



purchase. The faster the retailer receives a return on their inventory investment, the faster the supplier gets paid should there be a contingency.

In conclusion, companies that want to get the best of both worlds from a push and pull replenishment perspective should look for systems that can ensure that demand-driven orders are received at the warehouse, and that allocation rules are in place to push either incoming orders or stocked inventory out to the stores.

To learn how JustEnough's advanced solutions can help today's retailers and suppliers balance their push and pull replenishment strategies, please visit [www.justenough.com](http://www.justenough.com).

## About the Author



Greg Marmulak is JustEnough's vice president of professional services. In this role, Marmulak specializes in supply chain optimization, including demand planning, inventory management, replenishment planning, supply/vendor planning, collaboration and sales & operations planning.



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## About JustEnough

Founded in 1994, JustEnough is a global leader in Demand Management solutions. JustEnough services more than 500 of the world's leading brands including Allocation and Replenishment of inventory at **Kenneth Cole**, Merchandise and Assortment Planning at **Levi Strauss**, Sales Forecasting at **Kraft Foods**, Inventory Planning for **IDS Group (Li & Fung)** and **Nissan**, and Mobile Sales Force Automation at **SAB Miller**, **Cadbury** and **Heineken**.

**OnCloud**, **OnSite** and **OnMobile**, JustEnough's Demand Management solutions help retailers, distributors and brand owners to forecast their customer demand, plan their assortments, allocations and inventory, shape their demand and then execute on those plans. JustEnough is headquartered in the United States with offices worldwide. Learn more at [www.justenough.com](http://www.justenough.com).