

KEEP YOUR INVENTORY CURRENT SO THE COSTS DON'T HERTZ YOU!

Inventory optimisation to maximise returns and improve customer service.

The client is a leading US-based electronics components distributor with an annual turnover of over \$30 billion.



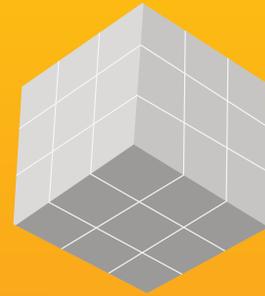
CHALLENGES

The client faced several issues, such as:

Optimisation of inventory allocation for a particular division of the business, with \$100+ million inventory to fulfill the demand of 3,000+ SKUs

Thumb rule-based inventory optimisation, with a one-size-fits-all approach

Vast portfolio of SKUs with low sales contribution (low volume-high mix) along with intermittent demand pattern



SOLUTIONS

The Infosys BPM approach included benchmarking of best practices and inventory performance. We developed an R-based in-house optimisation engine, as well as:

- ▶ Employed an analytical hierarchy process (AHP) to classify parts based on demand variation, lead time, order value, and lead time distribution
- ▶ Optimised the inventory allocation budget by assigning differential service levels to clusters without compromising on service levels
- ▶ Achieved optimal calculation of inventory with an R code-based engine that factors in the inherent nature of demand (smooth/intermittent/lumpy) and demand distributions (Normal/Poisson/Gamma)
- ▶ Recommended inventory drivers (e.g., demand variability, lead time variability, service levels, etc.) and reduction opportunities

BENEFITS

Infosys BPM delivered potential inventory reduction opportunity and improved:

- ▶ Inventory turns
- ▶ Customer service levels



\$30M
Reduction in inventory



25%
Improvement in inventory turns



For more information, contact infosysbpm@infosys.com

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