

TURNING THE TIDE ON CHOPPY INVENTORY

Working capital release through
components inventory optimisation.

The client is a global leader in
electronics component distribution
and computing solutions with revenue
in excess of \$27 billion.



CHALLENGES

The client's challenge was to optimise existing inventories without compromising on the competitive advantage of very short delivery time:

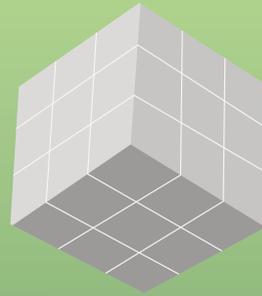
Vast portfolio of SKUs, warehouses, and distribution centres across the Americas and EU that serviced 470 locations in 55 countries

Many of the SKUs had low sales contribution (long tail) distributed across several item classes

Stringent customer service level targets

High proportion of slow moving inventory as a result of intermittent demand.

Limited statistical tools used for order size, order quantity and safety stock calculations



SOLUTIONS

The IBPM solution involved a multi-echelon network with dynamic customer service times and supplier lead times:

- ▶ Consolidated parts into clusters based on demand variation, lead time, order value, and lead time distribution using analytical hierarchy process (AHP)
- ▶ Optimised the allocation of the inventory budget without compromising on service levels by assigning differential service levels to clusters
- ▶ Factored in the inherent nature of demand (smooth/intermittent/lumpy)
- ▶ Instituted a goodness-of-fit test to bucket demand under appropriate distributions such as Normal/Poisson/Gamma
- ▶ Applied the appropriate safety stock methodology from a pre-built library with the R code-based algorithm
- ▶ Developed a comprehensive inventory model including visibility into current inventory levels, future projections and stock out indicators and minimal risk cutover strategy

BENEFITS

Benefits/Value delivered (Qualitative)



IBPM helped the client by delivering:

- ▶ Reduction in inventory
- ▶ Improvement in inventory turns
- ▶ Improvement in customer service levels



25%
Improvement in inventory turns



15–20%
Reduction in inventory levels



2–3%
Improvement in customer service levels

For more information, contact infosysbpm@infosys.com

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