

## Optimizing Service and Inventory Performance

### *Industry & Client Situation*

A leading distributor struggled to achieve target service levels despite historically high inventory levels. Over the previous three years the distributor aggressively expanded its product portfolio and transitioned to global supply sources with long lead times. The added complexity and extended lead times coupled with highly volatile demand patterns and next day service delivery requirements posed significant challenges in the management of service and inventory performance.

### *Approach*

As a part of a broader supply chain transformation initiative, Bridge partnered with our client's demand and supply planning teams to attack the service and inventory challenge:

- Validated customer service requirements and contractual obligations
- Developed analytical model to evaluate SKU-level demand and supply volatility, order frequency, supply lead time, and volume
- Leverage output of model to establish refined inventory segmentation approach for the 50,000+ SKUs
- Developed stochastic inventory and service planning model to establish inventory policies (e.g., safety stock, reorder points, and economic order quantities) aligned with targeted service standards
- Modeled revised inventory policies, conducted scenario planning, and integrated updated inventory policies into inventory planning system
- Enhanced inventory and service performance management metrics and developed dashboards to track progress

As part of the initiative, the Bridge team conducted extensive training on inventory management best practices, stochastic policy development methods, and excess inventory disposition and management processes. Likewise, new processes were established to support the regular review and refresh of inventory policies on a go-forward basis.

### *Results*

Implementation of the new inventory planning policies and processes yielded rapid and significant performance improvement. Within 90 days, our client's next day service delivery performance improved from 91% to 94% with a \$10M reduction (~10%) in inventory. As importantly, with the new policies, processes, and capabilities in place, the business was in the position to achieve ongoing improvements in service and inventory performance.