

# Driving Customer Satisfaction and Inventory Management Success in a Regulated Market

RETAIL, BEER, SPIRITS, AND VINTAGE WINE

As a successful retail chain, this organization also utilizes sales channels from catalogues to online, resulting in a diverse and challenging omnichannel supply chain network. This operation requires multiple fulfillment methods for beer, spirits, and vintage wines to deliver strong year-over-year growth, including:

- Direct import of seasonal product assortments that rely on an accurate pre-season demand forecast
- Replenishment of fast-moving product through a centralized warehouse fulfillment program
- Online fulfillment to customers
- Wholesale support for restaurants and bars

This government enterprise is one of the world's largest buyers and retailers of beverage alcohol. With more than 650 retail stores, catalogues, special order services, online ordering, and over 210 agency stores, they provide cost effective, convenient, and socially responsible access for consumers. The company offers a vast assortment of nearly 24,000 products annually to consumers and licensed establishments from more than 80 countries.

By expanding and refreshing their store network, together with improvements to operational efficiency and the customer shopping experience, this specialty retailer has been able to increase its fiscal return each year for more than two decades.

## The Challenge

As is often the case with large retailers, this customer was experiencing challenges with their inventory management solutions. As a result, the business was not achieving desired results in the areas of customer service and inventory productivity.

Their demand forecast was not consistently accurate, creating excessive safety stock and causing extra work for store resources that were routinely making manual adjustments to the weekly-recommended system orders.

This action was necessary since order recommendations did not match consumer demand for each location, causing less than optimal performance. Revenue was impacted by lost sales due to out-of-stock items causing a negative impact on inventory productivity, missed service level goals, and excessive distribution center and store personnel hours spent on managing shipments and inventory, rather than supporting customer-facing activities.

## Why They Chose Teradata Demand Chain Management

The company's top concern was finding a solution that would address all of the inventory management challenges, plus uncover new opportunities for future revenue and profitable growth. The solution they chose needed to deliver a high level of automation, the most accurate forecast in the market, inventory optimization capabilities, and a consulting team to effectively implement and roll out the solution. A detailed search of multiple products available in the market identified Teradata's Demand Chain Management solution as a leader in these areas, providing the retailer a high level of confidence in having a strategic partner to help them move forward in replacing their legacy system.

Since becoming business partners in the mid 1990s, Teradata's Demand Chain Management (DCM) solution has been enhanced with literally hundreds of new features. The solution has also been re-evaluated against competing industry offerings for the company's evolving business objectives and continues to deliver value to the business by providing:

- Advanced forecasting capabilities, including the ability to forecast events, slow-moving goods, the latest impact of trend, new items and inventory;
- A centrally-controlled process that accurately positions inventory for new items based on consumer demand signals;
- Automated Intelligent Product Introduction solution that supports exponential growth of the vintage wines business, while at the same time transforming the decision-making process by combining statistical input and demand shaping efforts;

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- Automated product and location performance management ranking that enables the refinement of localized assortments and business policies, driving higher in-stocks on priority products and locations;
- Benchmarked, proven ability to generate 28-day and 65-week sales and order forecasts for all products, stores, and distribution centers within the client defined processing window;
- Synchronized Multi-Echelon Time Phased Replenishment Store to DC to Vendor inventory, order, and receipt forecasts;
- Collaborative store order planning dashboards, providing all stores with the ability to review and augment orders on an exception basis to keep their fingers on the pulse of their individual customer needs;
- The ability to operate a hybrid 'Push/Pull' inventory model within a single solution;
- Exception-based process minimizing the organizational footprint;
- Proven retail supply chain consulting expertise and implementation methodology to enable rapid deployment, knowledge transfer and maximum ROI.

## Solution

After several years, this specialty retailer continues to partner with Teradata DCM to enhance their supply chain and replenishment capabilities for their partners, stores, demand chains, and online ordering.

The Demand Chain Management Forecasting Module, Intelligent Profile Clustering, New Product Introduction, Adaptive Response to Trend, and Slow Moving Logic have been implemented for all products at item, store, and week level. These demand forecasts are consumed and employed by the DCM Multi-Echelon, Time Phased Replenishment solution to support optimized ordering for all stores and online fulfillment locations. The DCM Allocation and Intelligent Product Introduction Modules improved allocation precision based on more accurate weekly demand forecasts operationalizing a hybrid 'push' versus 'pull' inventory model across various categories of merchandise. As a result, the vintage wine distribution model using Teradata's automated new item forecasting functionality (IPI) drives improved sales growth and inventory productivity.

## Results

The organization has realized significant improvements toward their mission of ensuring that each store now has the right selection of products available to customers and that product is consistently in stock and available.

In fact, distribution center inventory has been reduced by 15 percent, and stores reported double-digit reductions in inventory levels, while increasing store sales. Margin was increased with the reduction of misallocated inventory allowing more full price selling of products. In addition, the higher levels of automation reduced the store ordering cycle from four hours per session to less than half an hour, allowing for more time for dedicated, customer-facing activity.

And, in what seems to be a correlation to the reduction in time store teams are spending doing the manual, inventory management work, customer service has also improved. Customer satisfaction rates reportedly increase by four percentage points after implementation of the solution. To top it off, after experiencing all of this success internally, the company was awarded the Retail Supply Chain Award for improved inventory management and turns, with a sales increase of more than 25 percent from 2010-2014, resulting in a revenue increase of over \$1 billion.

From a store inventory perspective, using the Teradata DCM Forecasting and Replenishment Solution across the organization allowed the business to meet their targets of reducing store monthly inventory targets, while also maintaining the ability to increase these levels by more than 50 percent over the holiday peaks to maximize revenues.

## Bottom Line Results

- Distribution center inventory reduction of 15%
- Improved customer service levels by four percentage points
- Double digit reduction in store inventory levels
- Reduction of store ordering from four hours to under half an hour
- More than 25 percent sales increase from 2010-2014 representing over \$1B

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