

Driving Home a Game-Changing Business Transformation



RETAIL

Fulfilling the Need for Seamless Experiences

A leading national retailer marketing home improvement, lawn-garden, and building materials was laser-focused on providing a seamless and frictionless multichannel retail shopping experience for both their everyday customers and contractors. Key to improving results was upgraded capabilities in their Forecasting and Fulfillment solutions to drive sales, inventory turns and profit margins.

Teradata demonstrated industry leading capabilities in consumer demand forecasting and fulfillment, cementing a partnership that delivered improved profitability.

The company embarked upon a strategic initiative to completely transform its supply chain and turn it into a competitive advantage for the business. This transformation included both the physical supply chain and supporting solutions—including Teradata's Demand Chain Management Forecasting and Fulfillment solution.

The Challenge

The company's existing, homegrown forecasting and fulfillment solution was highly manual, lacked forecast accuracy, was limited to less than ten static climate bands, used multiple aggregates and lacked time phased, multi-echelon capabilities. This resulted in stock-outs, inventory productivity challenges and negative impacts on gross margins.

A new solution was needed to provide accurate daily and weekly forecasts for each of the 40,000 products across thousands of stores. It also needed to automatically transform these forecasts into store, distribution center, vendor orders and allocations. Key for the solution was the ability to provide a 65-week demand and inventory plan to support internal associates in planning and trading partner collaboration.

Forecasts were needed for base and promotional demand, slow and fast moving products, highly seasonal items, across all product lifecycles from short to long term, new products, intermittent demand, new stores and multiple distribution centers.

Finally, the solution needed to easily handle the scale of the retailer's large number of products and locations, meeting the tight batch windows that are normal in high volume multi-unit retail business.

Why They Chose Teradata

Teradata's leading-edge forecast accuracy and fulfillment capabilities were the primary reasons that the retailer chose to partner with them. Capabilities include:

- Multiple forecasting techniques and simulation capabilities
- Proven industry best forecast accuracy in numerous competitive benchmarks, including sample pilot on their data
- Proven ability to generate forecasts of sales and inventory over 28 daily and 65 weekly buckets across all products, stores, and distribution centers (over 10 billion in total) in less than 6 hours
- Proven retail supply chain consulting expertise and implementation methodology to enable rapid rollout, knowledge transfer, and maximize ROI
- Collaborative approach that engaged the retailer in designing cutting edge functionality previously not available in the market

A New Strategy for Transformation

Teradata's Demand Chain Management (DCM) application suite was deployed in a multi phased approach that matched the retailer's overall supply chain transformation strategy. The project also focused on education and knowledge transfer to ensure adoption, as the company was moving quickly from a decentralized environment to a more collaborative centralized replenishment process.

The initial Phase focused where the retailer had the greatest pain—forecasts for highly seasonal categories. Phase Two focused on store and DC replenishment. Phase Three delivered a time-phased, multi-echelon replenishment solution that matched their revamped distribution and logistics network.

The Results

Utilizing DCM's highly accurate forecast and time phased multi echelon replenishment solution to deliver replenishment; planning and vendor collaboration has enabled the retailer to deliver on their mission of providing a seamless and frictionless multichannel retail shopping experience for their customers.

An accurate store-SKU forecast is the foundation for all retail supply chains. Improving the retailer's accuracy by 30 percent drove increased in-stocks to well above 99 percent, increasing inventory turns by 21 percent, and improving gross margin percentage by 1 percent. The return on investment is estimated to be well over ten times the solution costs, exceeding the original business case by a wide margin.

This strategic initiative has also enabled the retailer to outpace the competition. Compared to their largest competitor, sales have increased more than 6 percent

“Investments in merchandising and the supply chain over the past three years have added several new tools to the (home improvement retailer's) tool belt. The company is now focused on optimizing the use of these tools, particularly in the areas of demand forecasting and assortment localization. Our meetings with management reinforced our view that significant opportunity remains. We reiterate our Buy rating.

- Wall Street Analyst Report

Bottom Line Results

- Improved forecast accuracy by 30 percent
- Reduced stock-outs—increasing customer satisfaction and sales
- Increased inventory turns by 21 percent, reducing inventory by over \$2 billion
- Reduced markdowns and improved gross margin by 32 basis points or 1 percent
- Went from 100 percent of products being ordered by stores to over 95 percent of products being centrally replenished—improving associate productivity
- Improved trading partner collaboration

faster and inventory turns have increased by over 350 percent more, and their stock price has appreciated over 90 percent more.

What's Next

The retailer is continuing to leverage the solution to its fullest extent to support the expanded and growing online business that has direct fulfillment centers, as well as multichannel shopping programs that help the retailer to employ their stores as a network of convenient customer pick-up, return and delivery fulfillment locations improving their overall service and business value.

The retailer is focused on leveraging the solution to further improve the collaboration between the retailer, suppliers, and transportation providers to reduce and stabilize lead times, resulting in a more predictable and consistent flow of products from vendors to store shelves, from direct fulfillment centers to customer homes and from stores to contractor job sites.

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