

Inventory Planning Optimization for Auto Spares OEM

About the company

The client is a major auto spares distributor based in India. The company supplies spares for trucks and buses.

Business objectives

To study the complete order management process and identify key levers of improvements, quantify the benefits and recommend a roadmap for improvement

Business complexities

- Only 28% of active parts have efficient inventory
- ~60% of the inventory capital (43% parts) is blocked in parts with excess inventory
- No formal S&OP process
- Improper part categorization leading to unbalanced inventory level
- No process to classify new parts and forecast the demand

Project highlights

- Inventory balancing need was identified to improve service level at same stock value
- Formal S&OP Process was defined to address the growing business needs
- Supplier Schedule Adherence and Lead Time Variation were recommended to be measured for optimizing supply chain performance
- Better part categorization was done by incorporating revenue contribution and criticality of parts
- Part Lifecycle Management process was defined
- Inventory norms were decided at part level

Value delivered to the client

- Improved service level with same inventory value by inventory balancing
- Average stock level reduced to 48 days from 86 days by changing ordering and replenishment frequency
- Optimized demand planning parameters helped in reducing Sales Loss by 200 MINR
- Formal S&OP Process was designed leading to improvement in fill rates by 4%