4 best practices for agile inventory management

Managing your inventory—balancing dollars tied up in inventory and customer service levels—isn't about finding a sweet spot. It's about realizing that successful inventory management requires the orchestration of demand and supply data across the global supply chain. The strategies outlined here, aimed at increasing decision-making agility, can be highly rewarding. In fact, **a global pharmaceutical company** saved $7 million dollars in 2 years through reductions in working capital, backorders, and penalties.

Here are four things you can do to build agile inventory management.

1

Deploy end-to-end supply chain visibility

When you need to respond quickly to changing market requirements and urgent customer requests, you can't rely on phone or email to get timely updates—market conditions change much too quickly for that. Your suppliers and distribution centers may be half a world and 12 times zones away. You need to be able to access inventory and fulfillment status information in real-time. That makes a cloud-based supply chain network an essential component of agile inventory management.

A recent **Aberdeen Group survey** found that 80% of the most profitable companies are adopting supply chain networks to improve inventory visibility. Those companies were 41% more likely to have visibility into landed costs and their accrual as shipment progresses compared to less profitable businesses. And they were 42% more likely to be able to find and access outbound supply chain data.[1]

2

Use real-time analysis to profitably fulfill demand

Once you have up-to-the-minute information on inventory levels and fulfillment status, you need to be able to continuously analyze your supply chain to ensure profitable demand fulfillment. Will insufficient stock levels result in service-level fines or lost sales? Will overstocks lead to increases in obsolete inventory? Bottom line: What is the most profitable response to a given stock situation? Giving planners real-time visibility supported by sophisticated analytics that draw simultaneously from all of your available data on the network allows them to quickly find the answer.

Using such analysis, a **Brazil-based manufacturer of household and cleaning products** saw a 10% improvement in customer service levels (based on on-time-in-full shipments, fill rate, and the number of customer complaints) and a 13% increase in forecast accuracy. Encapsulated in software packages that readily integrate with your ERP system and fronted by intuitive dashboard-style interfaces, analytics can be an affordable competitive asset.

3

Challenge your assumptions with data science

Have your planning systems produced erratic safety stock recommendations and unnecessary purchase orders? Are you using static lead times? Even the most sophisticated planning models can become less useful if their underlying assumptions are outdated or inaccurate. By understanding actual lead-time and ordering trends for your industry, you may be able to meet customer service levels more consistently, while avoiding unnecessary carrying costs.

Data science can help you gain insights by leveraging the same cloud-based network that provides you with end-to-end supply chain visibility. Using the network's vast trove of historical transaction data, you can improve the predictive ability of your event-driven models. Ideally, these models will draw from continually updated trends for product demand, lead times, replenishment quantities, and other assumptions.

4

Keep people in the equation

Ultimately, supply chain and inventory management systems are only as valuable as the decisions they help people make. And collaboration is a key part of decision making. According to **Aberdeen Group**, up to 92% of companies will be looking for more collaborative ways to manage their inventory. Collaboration that is built into your supply chain and inventory management systems puts people at the center of reacting to order fulfillment issues.

Here's how it might work: Imagine a delay in an international shipment that would affect an impending retail promotion. The typical response might be to use local inventory to cover the gap. Suddenly, while out of the office, you're alerted to a competing product release that changes the demand forecast. You immediately analyze various response scenarios, confer with stakeholders in other departments using shared data, and make the most profitable call.

Learn more about inventory optimization ›

1. Aberdeen Group, Profitable Supply Chain Execution With Customer- and Event-Driven Optimization, Bob Heaney, January 2016

Share this:

641 Avenue of the Americas, New York, NY 10011

INF-1499934-en-US-0516-1