



JustEnough Provides Visibility Into Premier Retailer's Stock Mix

Industry

Retail - Apparel

Challenges

Ackermans faced regular and lengthy stock-outs. The company needed a solution to help improve inventory management and apply bottom-up and top-down views of products across various hierarchies. Ackermans also needed to transition users from its legacy system to a new replenishment and demand forecasting tool.

Solution

JustEnough Demand Forecasting

Results

- 10 percent decrease in excess stock
- 5 percent increase in product sales
- Improved, standardized demand forecasting
- Visibility into SKUs at all levels
- Enhanced procurement of correct product quantities and reduced stock-outs
- Increased collaboration between planners and buyers
- More streamlined ordering process

Inaccurate Forecasts Lead to Under- and Overstocks

Ackermans (www.ackermans.co.za) is one of the oldest names in consumer retailing in South Africa, dating back to 1916 when the first store opened in Cape Town. Ackermans sells babyware, baby furniture, consumer goods, apparel and financial services products. Known for its high quality and value, Ackermans caters to the entire family. Through the years, the company has grown to more than 450 stores located across Southern Africa.

As with any large retailer, it is important to have the right products on the right store shelves at the right time. Ackermans, at a national level, had a pretty

good idea this was not happening within their stores to the extent necessary to maintain proper profit margins in an ultra-competitive industry. It was seeing too much of the wrong product and too little of the right product. Sometimes, the company didn't even have visibility at all into the status of certain products.

"We used a very basic model replenishment process that we used to run through another vendor's business forecasting system and then pushed the forecast back into the replenishment system," said Neil Muller, Ackermans' head of the project management office. "It was a homegrown system not really integrated at all and not very user friendly to current or new users. We would often be

out of stock at the store level in some SKUs, and the SKUs we were not selling were often in overstock because the forecasts weren't accurate. We knew we needed to move away from that approach because it just wasn't working."

Needing to Simplify the Inventory Ordering Progress

Under the previous approach, inventory ordering was based haphazardly on either the other vendor's business forecast system or user forecasts. Orders would span an entire season with no visibility into the current state of inventory on hand that could be linked to forecasts and supplier lead times. Ackermans also couldn't manage any exceptions upfront if the forecasts did not meet the actual

the Demand Forecasting solution from JustEnough would be able to grow with us, as opposed to us having to grow into it."

Strydom said local support, ease of use and cost were the deciding factors in choosing the JustEnough Demand Forecasting solution. But he was more keenly interested in how the solution was going to fit Ackermans' culture.

"An easy transition was critical for our users and we felt other solutions may have been a little too sophisticated," Strydom said. "We also didn't want to sit in a big vendor's priority queue and wait forever for somebody to decide that our requirements were actually a priority. JustEnough has taken us to the next level without overtaxing us, and unlike the other vendors, JustEnough was local and able to support us locally."

“JustEnough has taken us to the next level of replenishment without overtaxing us.”

Bouwer Strydom, planning manager for Ackermans' children's special business unit



revenue. That meant users frequently had to be reactive to any changes or exceptions, but by then it was almost universally too late to have a significant impact on managing demand at the store level or managing stock levels in the warehouse.

The problem was particularly acute in the breakdown of the clothing sizes that are available for each of Ackermans' styles. Those styles are made up of five SKUs – extra small, small, medium, large and extra large. Previously, actual inventory forecasting occurred at the style level and not with the SKUs. The end result often would be not enough of the right sizes and too many of the wrong sizes – a frustrating situation that consumers everywhere know all too well, and one that leads quickly to lost sales. The last thing Ackermans or any retailer needed to hear about were consumers walking out the door saying, "They never have my size."

The challenge for Ackermans was simple enough – it needed a system that would offer visibility from the bottom up and the top down into the stock mix. The solution was JustEnough Demand Forecasting.

"We needed something that wasn't too complicated or so overly sophisticated that it was going to make users run for the hills," said Bouwer Strydom, Ackermans' planning manager for the children's SBU. "It also couldn't be too complex or expensive for us to maintain. It had to fit in with our ongoing business processes without us having to re-engineer anything to fit replenishment. We determined that

Demand Forecasting Tool Fits to a T

In practice, Muller said the JustEnough Demand Forecasting solution has fit Ackermans to a T – as evidenced by a recent example involving one of the most basic SKUs it sells, small men's white T-shirts. In the past, actual sales and subsequent stock checks of that SKU would mysteriously counteract each other, resulting in adjustments that didn't make any sense.

However, within the first few weeks of the JustEnough Demand Forecasting implementation, a program manager excitedly reported to Muller that he could actually see sensible adjustments being made for size small white T-shirts at a particular store. In the old days, that store might have gone two to four weeks without receiving a single unit of size small white T-shirts, despite the previous stock being sold out.

"For me personally, that was the 'Aha!' moment – having the visibility into your SKUs at the lowest level if you need it," said Muller. "That was very exciting. Initially, we saw the sales go up. Stock levels went up as well, which is what we anticipated. But in the case of this store, stock levels are quickly coming back down now in line with demand."

Another important confirmation of JustEnough's ability to provide visibility came from one of Muller's replenishment analysts who has a degree in

applied mathematics. With her math background, she was able to comprehend the algorithms behind the software's forecasts to determine that they are accurate and continue to provide value beyond what was originally expected from the JustEnough implementation.

"For instance, she saw a drop off in sales in an area of children's clothing and she wanted to know what was going on," said Muller. "Through JustEnough's Demand Forecasting solution, I was able to determine that there was a problem with the pricing with that particular product at the moment – it wasn't the keenest price in the marketplace. Until they change the price and bring it down to be on par with the other competitor products, she will continue to see sales going downwards. But more importantly, this is the kind of trend that we can now start picking up at the top, so we can make quick business decisions from there that are critical for our stores to remain competitive."

Lowering Excess Stock, Increasing Product Sales

Overall, Strydom said Ackermans has been measuring the products since the JustEnough implementation and the results have been very good – for instance, excess stock has been decreased by 10 percent and sales for the products have increased by 5 percent.

"JustEnough now provides me with an accurate SKU sales forecast enabling better procurement of the correct quantities and reducing stock-outs," he said.

Based on these early returns, Ackermans believes it can now achieve much greater visibility into its inventory both from the bottom up and the top down, enabling it to better manage the mix. The demand forecasting process is now standardized at Ackermans, with forecasts correctly tied up to the net requirement. Demand at both ends of the supply chain is now tied into warehouse stock levels based on forecasts and lead times from both stores and suppliers. In addition, inventory planners and buyers are working more closely together since the buyers now have visibility into inventory plans. That has also helped streamline the ordering process.

"One of the most important changes we see now is a stabilization of the sales lot because we are in stock with the right items at the right store," Muller said. "We are also getting a better handle on our supply chain since it is based on actual needs now. We are holding the stock in our distribution centers and not in our stores. Those are the areas where we are really starting to see the benefits as we complete the JustEnough Demand Forecasting rollout."



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About JustEnough

Founded in 1994, JustEnough is a global leader in Demand Management solutions. JustEnough services more than 500 of the world's leading brands including Allocation and Replenishment of inventory at **Kenneth Cole**, Merchandise and Assortment Planning at **Levi Strauss**, Sales Forecasting at **Kraft Foods**, Inventory Planning for **IDS Group (Li & Fung)** and **Nissan**, and Mobile Sales Force Automation at **SAB Miller**, **Cadbury** and **Heineken**.

OnCloud, **OnSite** and **OnMobile**, JustEnough's Demand Management solutions help retailers, distributors and brand owners to forecast their customer demand, plan their assortments, allocations and inventory, shape their demand and then execute on those plans. JustEnough is headquartered in the United States with offices worldwide. Learn more at www.justenough.com.