



## JustEnough Helps McPherson Oil Leapfrog its Average Annual Inventory Turns by 38%

### Industry

Petroleum Distribution

### Challenges

McPherson Oil realized that its financial spreadsheets had been doubling as sales forecasting tools. The company was slow to address product obsolescence, needed to address emerging trends faster and increase visibility into sales and the overall supply chain.

### Solution

- JustEnough Sales Forecasting
- JustEnough Inventory Planning

### Results

- Consolidated eight warehouses into five, saving an additional \$2 million in costs
- Increased inventory turns from 6.5 to nine within six months
- Ability to see how site sales volumes, inventories and other key indicators are performing

The McPherson Companies, founded in 1971, is a large and independent lubricant distributor serving the southeastern United States. The Alabama-based company offers businesses and retail customers a full line of petroleum products and services including oil, lubricants, fuel and gasoline, used oil, equipment, engineering and environmental services. McPherson Oil is multi-branded and distributes 80 million gallons of gasoline and diesel fuel annually, along with 15 million gallons of lubricants each year. It also serves as a distributor for Exxon Mobile, BP Castrol and Conoco Phillips products.

As the company and its service-level demands grew, McPherson Oil grappled with sales forecasting and inventory planning decisions by using

financial spreadsheet data more suitable for use by a petroleum product manufacturer than a distributor. In fact, forecasts were based on batch invoicing and completed largely by the manual examination of historically collated customer-demand models. Order fill rates suffered because of the outdated and inadequate system McPherson Oil used.

“Some might believe a look at demand historically is helpful,” said David Bright, McPherson Oil’s director of logistics. “But history could not account for different scenarios, like a Gulf Coast hurricane creating a spike or drop-off in demand. Until 2008, our purchasing process was to simply buy more or build more to meet needs reactively.”

On the personnel side, a sole inventory planner was tasked daily with examining spreadsheets covering all 20,000 to 30,000 products contained within several thousands SKUs. Only then could a determination be made whether an order should be

In selecting JustEnough, Bright says the choice was because the system “provided us with visibility into the future and a dashboard-based reporting services module that offered interpretations of sales histories and suggestions on stocking and distribution.”

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David Bright, director of logistics for McPherson Oil

placed. The arduous process and the reactive time lags meant appropriate decisions weren’t always possible.

For example, McPherson Oil would find itself “long” on selected products because it couldn’t see a slowdown trend fast enough. Customers would want to move to 5W20 grade oil from 10W30, yet the company experienced lost sales opportunities and added expenses because it was over-stocked on the latter grade yet short-stocked on the first formulation.



Additionally, because it lacked state-of-the-art sales forecasting software, McPherson Oil started suffering from an inability to better manage soon-to-become-obsolete products.

“Customer needs could change and we weren’t always ready,” Bright explained. “Some motorists in outlying areas of Georgia were servicing their older model cars with

10W30 oil, but in the city of Atlanta there’d be lube shops with customers who drove newer models and needed a different oil grade. We couldn’t always do the faster turnaround or quick formulation change.”

Bright added that McPherson Oil could not always take advantage of “low-hanging fruit” or ready sales opportunities. Geography was starting to play a larger role, too.

“We simply needed better decisions on exactly where to carry which products,” he said.

After finding research studies about the top software companies capable of supporting its needs, McPherson Oil concluded that improving a warehouse management system also required successful inventory and demand planning.

## Succeeding With a New System

Bright said that due to the nature of McPherson Oil’s business, it “could have numerous large transactions, say, over a two-day period, moving 150,000 gallons of an item. Therefore, an attempt to base decisions on two-day old information was illogical.”

Bright concluded that a high-ranking priority for the company was to engage and utilize the JustEnough Sales Forecasting and Inventory Planning solutions.

“Some of the software makers offered Citrix-like forecasting spreadsheets, but JustEnough stood out because its dashboards offered flexibility and easy, visual interpretations of sales patterns and inventory changes. The others regurgitated the data for you but required additional software to allow you to both interpret what the raw data revealed and to create still more management reports,” Bright said.

Today, the dashboards give McPherson Oil the ability to pull data up onto a screen, easily navigate screens and interpret key performance indicators (KPIs). Planners work with the JustEnough dashboards, taking advantage of the unique ability to drill down several levels from the initial dashboard to gain added information.

With JustEnough Inventory Planning, McPherson Oil can prepare future budgets, construct inventory scenarios and sales strategies. Using the scenario planning feature, planners can tell managers what future inventories will look like throughout the system if certain decisions are made. The tool helps answer forward-looking questions, such as:

- How fast can we reach a particular sales goal if we act on this decision today?
- What’s the likelihood of success if we take this direction?
- Could we encounter customer service issues if inventory is kept at this level?

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Dashboards are accessible to managers at all levels based on needs for specific types of data. Today, McPherson Oil vice presidents get full visibility into the performance of their business areas and various forecasting scenarios. Warehouse managers see site-specific sales volumes, inventories, fill rates and KPIs pertaining to their facility. Company-wide visibility into the future provides not only a glimpse of what is to come but also an ability to dive down at multiple levels to retrieve and evaluate data for decision-making purposes.

“We will turn inventory nine times in one year with the help of JustEnough versus just 6.5 times the previous year,” Bright explained. “Faster turns improve cash flow. They also mean we get paid faster. We should achieve 12 turns next year. As an inventory-heavy company, that’s significant.”

Bright added, “By turning inventory as much as we do now, we feel a single turn is worth about \$150,000 in added revenue.”

What’s more, new efficiencies have enabled the consolidation of eight warehouses into five, resulting in overall operational savings of an additional \$2 million.

### Improving Service Levels Using Precise Communication

Bright said that because of JustEnough, “Our customer communication is better around any issues that could potentially surface.”

He concluded, “Most of us thought that integrating JustEnough with our business was akin to buying an axe to do a basic tree-cutting job. Now that we’re working more closely with that so-called axe, something basic is getting sharpened more and more. Now, we’re cutting down the tree quite well.”



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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](http://www.justenough.com).