

CASE STUDY

A Leading Pan-Asian Health, Beauty, and Wellness Retailer Reduces OOS by 60% and Unlocks a 62% Increase in Inventory Turnover

SEGMENT | Health, Personal Care, Beauty & Baby Care Products

PRODUCT | Order Right

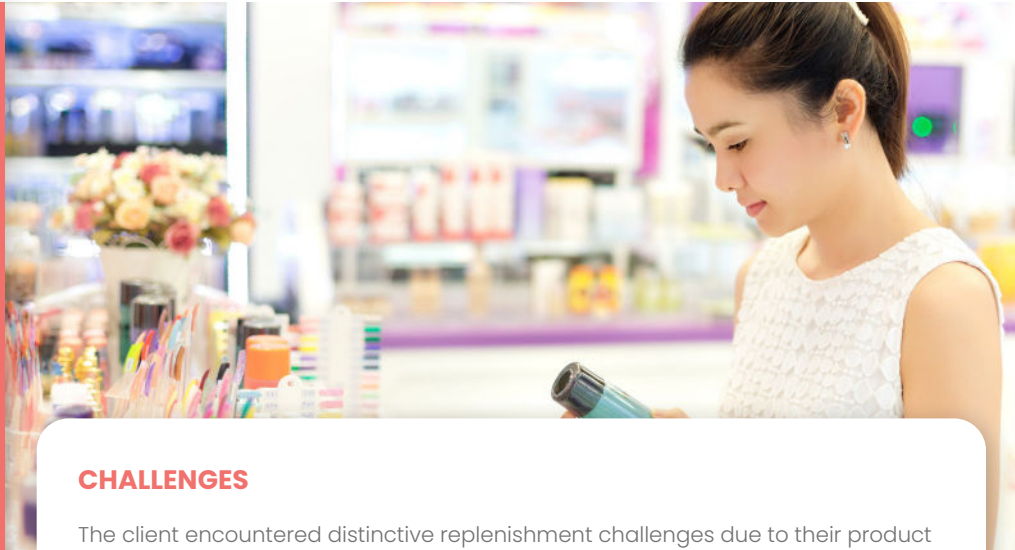
CHALLENGES | Rising trend of out-of-stock and overstock issues across stores

RESULTS

- 60% Reduction in Out-of-Stock Instances
- 18% Reduction in Inventory Investments
- 62% Improvement in Inventory Turnover
- Ultra-granular and Accurate Order Plans across All Product Locations

ABOUT THE CUSTOMER

The client is a pan-Asian health, beauty, and wellness retailer. It has over 1100 stores spread across 13 countries providing a wide range of healthcare, beauty care, personal care and baby care products.



CHALLENGES

The client encountered distinctive replenishment challenges due to their product nature and market dynamics, including:

- **Product Variety and Seasonality:** The existing replenishment process struggled with maintaining stock levels, leading to frequent out-of-stock situations for some products and excessive inventory for others.
- **Promotional Impact:** Post-season inventory often piled up following promotional campaigns.
- **Global Supply Chain Complexities:** Dependence on multiple suppliers across global supply chains caused significant lead time variances, resulting in out-of-stock issues, particularly during peak seasons.
- **Increasing inventory costs:** In its endeavor to achieve high availability, the client witnessed a significant increasing trend in inventory investments.

The client was looking to transform their replenishment framework from static and one-size-fits-all to dynamic and localized. Additionally, they were looking for a solution that could improve planning efficiency, reducing the burden on teams to plan granular replenishment.

HYPERLOCAL REPLENISHMENT WITH ORDER RIGHT

Algomomy's Order Right perfectly met the client's need for an ultra-granular, robust, and adaptive replenishment ordering system. Order Right utilizes a suite of custom machine learning algorithms that adjust to demand and supply chain dynamics at a hyperlocal level, accounting for both increases and shifts in demand. Its robust framework swiftly addresses retail data challenges such as sparse data, outliers, and noise, allowing your teams to focus on business without worrying about data interventions.

UNLOCKING RETAIL EXCELLENCE WITH HYPERLOCAL PRECISION AND DYNAMIC INVENTORY MANAGEMENT

Algonomy's Order Right helped the client to automate and optimize replenishment schedules for ~500 categories across all store locations in 13+ geographies via a single integrated interface. Here are the key highlights of the solution:



Ultra-granular multi-variate ML-based forecasting

With Order Right, the client transitioned from manual, Excel-based forecasting reliant on historical sales to multivariate, ML-based forecasting that accounts for channel, category, and store-specific nuances at the hyperlocal level. This new approach incorporates factors such as product lifecycle, promotions, holidays, and events. As a result, demand planners achieved increased forecasting accuracy across product locations, leading to substantial downstream benefits.



Auto-optimization for promotional effects

Previously, the client relied heavily on manual interventions to adjust for demand fluctuations caused by promotions. This often led to sub-optimal outcomes, resulting in excess stock of some products and out-of-stock situations for others within the same category. With Order Right, the client transitioned to automatic adjustments of product orders to counter promotional effects, significantly reducing inventory imbalances.



Modeling Supply Chain Constraints

The client heavily relied on global suppliers for its products, so any disruptions in the supply chain often came as a surprise, causing teams to scramble to manage the situation and devise tactics to protect the business. With Order, the client transitioned from a static, contract-based supply chain approach to dynamic modeling. Now, the client can optimize replenishment plans using self-learning models that account for key constraints such as lead times, pending orders, expiry dates, minimum order quantities, ordering frequency, and minimum display quantities. This ensures that replenishment plans dynamically adjust to supply chain constraints, resulting in greater accuracy and less crisis management.



Effortlessly Leveraging Retail Data

Order Right's robust demand forecasting framework helped demand planners circumvent data challenges such as sparse data, noisy data, outliers, and new product introductions effortlessly with custom retail-tuned algorithms. This significantly reduced the efforts required by the team to get quality data.

BUSINESS VALUE DELIVERED

Algonomy's Order Right helped the client transform from static and inefficient to ultra-granular and intelligent replenishment, thereby unlocking business benefits including:

60%

Reduction in Out-of-Stock Instances

18%

Reduction in Inventory Investments

62%

Improvement in Inventory Turnover

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