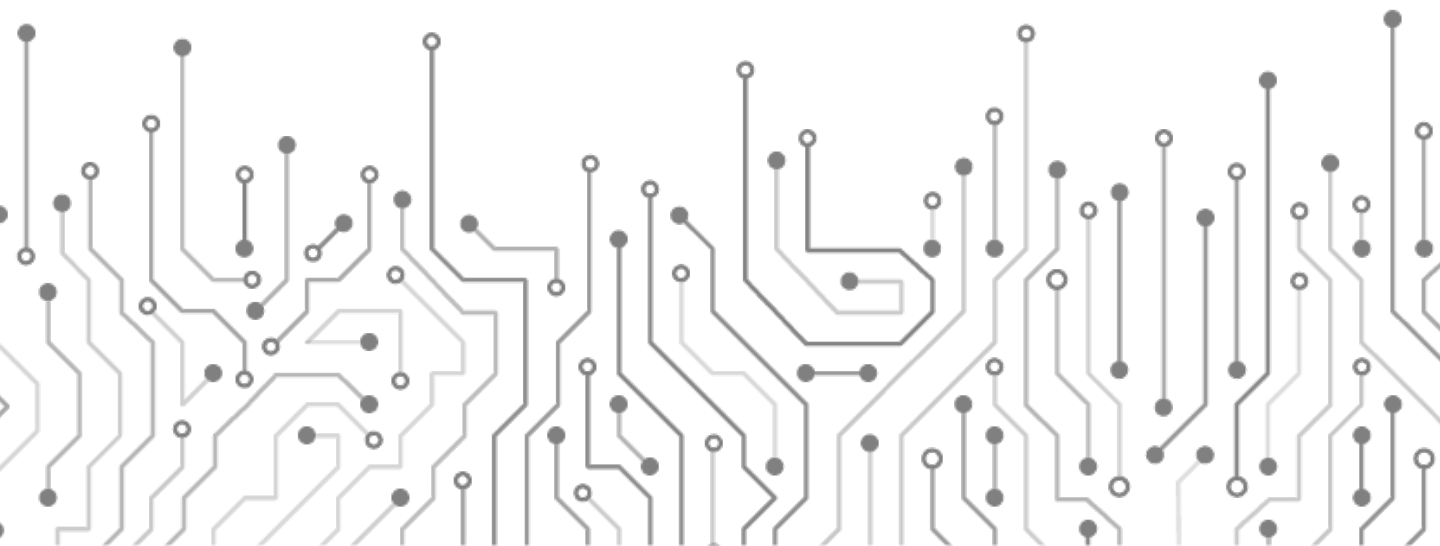# Kelmic

Supply Chain Excellence Through Improved Forecasting:
Insights From A Leading Electronics Distributer

October 2019

About Kelmic

Kelmic Consulting helps organizations capture opportunities and dramatically improve their operations.

Helping our clients improve their operations since 2002

We partner with our clients to drive bottom-line impact by addressing and dramatically improving efficiencies in People, Processes, and Property. Our exceptional people draw upon more than 100 years of combined experience to bring you the right perspectives and expertise to help you tackle complex challenges and realize your strategic ambitions.

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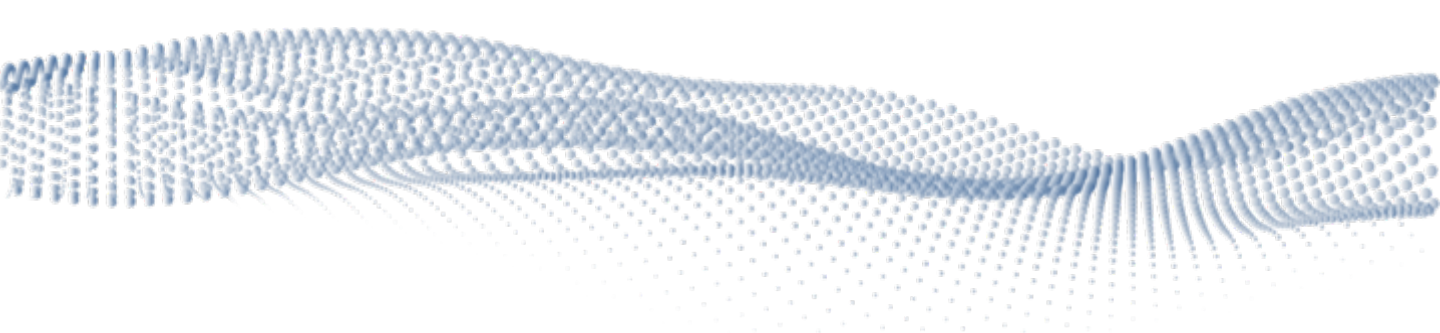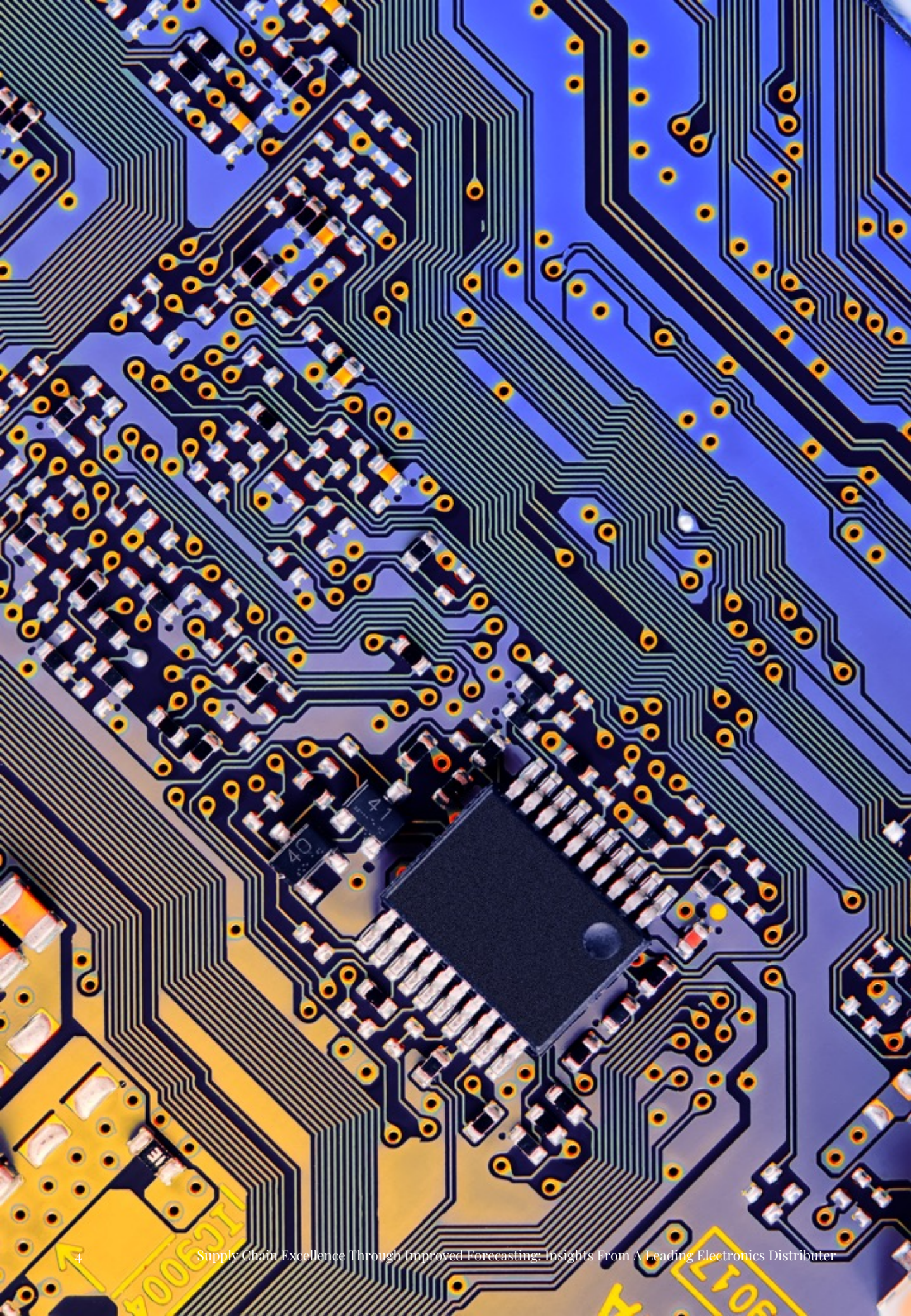
Background

About the Client

- Major importer and distributor of computers and computer related products.

- Centralized warehouse offered fast delivery times to major centers.

- Over 480,000 sq ft of warehouse space.

- Represents most major product lines from global brands including HP, IBM, Compaq, Sun Microsystems, etc.

"Inventory levels had been rising and service levels were still dropping."

A major importer and distributor of computers, laptops, computer peripherals and consumables with nearly 500,000 sq ft of warehousing space. The client is primarily engaged with multiple product lines that are characterized by extremely short product life cycles. Hence, it was critical for the business to attain and maintain accurate demand forecasting capabilities to manage their inventory and supply chain.

Several product lines were over-stocked with aged products that were difficult to sell. This, combined with limits on capital resources, made it difficult to order sufficient newer products leading to stock-outs and below par service levels.

Lack of long-term and systematic agreements with corporate customers on minimum order sizes for delivery led to excessive distribution costs.

Lower than desired service levels combined with poor communications with customers were key factors behind deteriorating customer relationships and an inability to build a robust pipeline of steady long-term customers.

Receivables days outstanding were also on the rise. This added to increasing inventory levels of products no longer in demand and increasing product write-downs due to redundancy. As a result, the financial health of the company was being negatively impacted due to cash flow restrains.

A new inventory management system and forecasting tool had been implemented but had failed to meet the desired objectives. Inventory levels had been rising and service levels were still dropping.

Staff were frustrated with the new tools and were resisting utilizing them properly which often meant they resorted to alternative methods to determine replenishment orders to improve customer relationships.

This was not working.

Implemented Solution

A new market forecasting approach was developed and implemented.

A uniform and practical approach to determining replenishment order quantities was established.

Old inventory was actively managed on a weekly basis and a dedicated team was made responsible for moving aged stock before its value dropped below cost.

Innovative approaches to clearing redundant inventory resulted in de-aging of inventory. This allowed product line managers to stock higher levels of current products within existing capital limits.

A new receivables management system was developed and implemented, proactively driving days outstanding down by over 24%.

Inventory KPIs were adjusted and new targets set that helped drive improved inventory performance.

Minimum order levels were set for same day delivery allowing consolidation of smaller orders reducing delivery costs by more than 11%.

Increase in inventory turns

45%

Increase in on-time delivery

28%

Reduction in inventory

33%

Key Results Achieved

- Implemented revised forecasting system reducing Inventory levels by over 33%

- Reduced time to delivery for main customers by 8 hours

- Dropped receivable days outstanding by 24%

- Reduced stock shortages and product back orders by 28%

- Drove inventory cleanout reducing dormant inventory and reducing average stock age

- Project ROI > 12:1 within 12 months
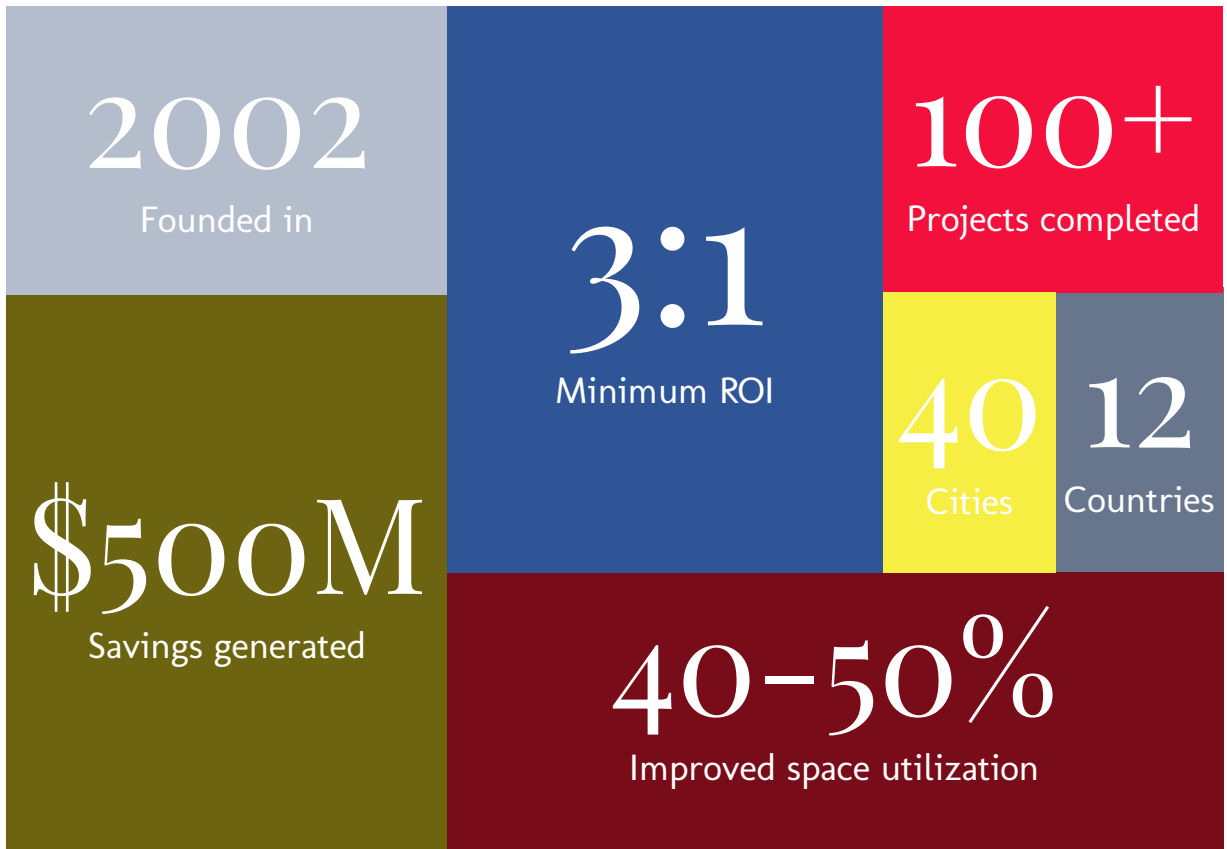
ROI

12:1

45% Increase	28% Increase	33% Reduction
In inventory turns	In on-time delivery	In inventory levels

Kelmic at a Glance

2002
Founded in

3:1
Minimum ROI

100+
Projects completed

40
Cities

12
Countries

$500M
Savings generated

40-50%
Improved space utilization

Kelmic

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