

# #049 : Reducing Inventory at the Same Service Level

## Why?

Especially in customer goods and retail industries, businesses are motivated to spend what ever necessary to maintain high level of service level thereby not loosing customers.

This often results in very high levels of inventory, inefficient production and transportation resulting in unreasonable costs.

## Steps

Optimal SKU Segregation



Integration of Forecast and Demand Data

## Details

Not all SKUs are identical. Therefore, selecting the same replenishment/ inventory strategy is not ideal. Following such as unified strategy results in higher expediting, and lower service levels. Both of which are expensive.

While companies do sometimes follow the ABC classification method, a **different way of segregating** SKUs has been recently explored, i.e. based on **Forecastability**.

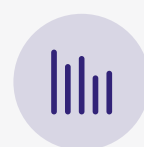
## Forecastability Groups



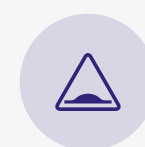
Smooth



Erratic



Intermittent



Lumpy

## Potential Impact

