



LUXOTTICA

With annual revenues in excess of €2.85 billion, Luxottica Group (NYSE symbol: LUX) is the absolute world leader in the design, manufacture, marketing and distribution of eyeglass frames. The company's twenty-four brands include Bulgari, Chanel, Ferragamo, Moschino, Prada, Ray Ban, Tacchini, Versace and Emanuel Ungaro. Luxottica distributes its own products in 120 countries around the world, directly or indirectly employing more than 24,500 workers. With the acquisition of LensCrafters and Sunglass Hut, Luxottica occupies a leading position in the North American optical retail market, with more than 2,500 stores.

Project & Objectives

A study showed that Luxottica's supply chain had the following features:

- A very large number of models (more than 2,500), items (more than 30,000) and SKU-Locations (more than 600,000)
- Very heterogeneous behavior i.e. some articles with low seasonality and relatively long lifecycles, and others (such as sunglasses) that behave like fashion items, with high seasonality and a very short lifecycle (in some cases even less than one year)
- Same treatment for all products with no attempt to optimise product mix
- Lack of a client service policy
- Excess user intervention in the planning process

After a software selection process, Luxottica decided to implement a tool to strategically analyse and optimise stock levels. The company chose SO99+, ToolsGroup's service-driven inventory optimization solution, to:

- Position inventory to promptly satisfy customer needs
- Allow production to quickly adjust to market changes
- Reduce inventories and global logistics costs
- Improve forecast accuracy

... Day to Day

ToolsGroup's SO99+ manages all finished products in a distribution network comprising 5 sites, one central warehouse and 26 distribution centers. With SO99+, Luxottica maintains excellent customer service levels, while keeping minimum stocks and short time-to-market for all their products.

Results & Benefits

The entire SO99+ solution was implemented in six months and achieved the following benefits:

- In the first six months, Luxottica reduced stock levels by 10% while maintaining the same high service level.

The Luxottica logo, consisting of the word 'LUXOTTICA' in a bold, white, sans-serif font on a black rectangular background.

(Luxottica cont'd)

- In the following months, Luxottica was able to reduce manual intervention in the planning process by 50%, while then progressively increasing service levels.

Following the success of SO99+ in the finished products implementation, Luxottica extended the use of the ToolsGroup solution to their spare parts operation (frame components and lenses). In less than three months from the project kick-off, the service level has reached 98.5%, with an 80% reduction in back orders, and no simultaneous increase in inventory levels

"We have always guaranteed a high service level to our clients. The goals set for Service Optimizer 99+ were to reduce stock, to improve stock mix and to further increase our service level - were therefore very ambitious. With Service Optimizer 99+ and the support of ToolsGroup we were able to carry out this project and achieve the set goals".

- **R. Chemello** (Co-CEO, Director Luxottica Group)