

O₂ Telecom



- **Improved forecast accuracy by 10%**
- **Raised handset availability service levels to 97% in the warehouse and 96% in retail stores**
- **Decreased days of stock by nearly 30%**

Project & Objectives

For leading digital communications company O2 UK, customer service is everything. That means making sure the right products, in the right numbers, are available on demand. Customers expect to have a seamless experience from O2 regardless of the channel they purchase from - whether walking into a high street store, speaking to customer services agent on the phone, or logging onto its website.

The mobile handset market has changed dramatically. Since 2013, O2's inventory had been growing by 60 percent annually, driven by constant technological advances, new device manufacturers, and a movement into new product markets.

Crucially, the relationship O2's customers have with their phone has changed - it's become the remote control of their lives. This means their expectations in the level of service they receive has also changed as well. In this era of rapid evolution, O2 recognised the need to evolve the way it does business and the systems that support it.

When it came to planning and execution, O2 has migrated from a manual, supply-driven approach with multiple standalone systems, to one based on a centralised single model that enables its trading teams and suppliers to collaborate in a demand-driven process. To support this, O2 chose ToolsGroup to implement a cloud-based demand and supply collaboration system based on its SO99+ platform. The system was conceived to support the entire extended supply chain - from handset supplier to end customer - and reduce days of stock, increase availability and improve forecast accuracy.

O2 is the commercial brand of Telefónica UK Limited and is a leading digital communications company with the highest customer satisfaction for any mobile provider according to Ofcom. With over 25 million customers, O2 runs 2G, 3G and 4G networks across the UK, as well as operating O2 Wifi and owning half of Tesco Mobile. O2 has over 450 retail stores and sponsors The O2, O2 Academy venues and the England rugby team.



According to Nicky McGroarty, Head of Supply Chain, O2 UK, “Customers always want that latest gadget so supply can occasionally be outstripped by demand. It’s really important that we have the right demand tools that enable us to make sure we’re putting that scarce resource in the right place so we really maximise the customer experience.”

...Day to Day

ToolsGroup’s SO99+ addresses the challenge of synchronising retail demand and supply by offering a single integrated system that fine tunes forecasts with demand sensing and replenishes inventory by recommending new orders and/or reallocation from suppliers.

O2’s new system provides a hub in which all internal trading teams and external suppliers can collaborate to optimise the Sales & Operations Planning (S&OP) process. The system is built on ToolsGroup’s SO99+ end-to-end supply chain platform and also includes:

- Demand Collaboration Hub (DCH) – an online portal that enables collaboration on sales history, forecasts and promotions across trading teams in a single, structured conversation
- Supply Collaboration Hub (SCH) – another portal enables collaboration on sales history and forecasts with O2’s suppliers to ensure product availability
- Constrained Supply Algorithm (CSA) - an algorithm developed between O2 and ToolsGroup to maximise availability in retail stores for items which are in constrained supply. Instead of sending the same numbers of constrained items to each store, O2 uses the algorithm to determine which stores to send more of these items, based on likelihood of sales.

“ToolsGroup has proven to be an ideal partner in helping O2 plan a supply chain that can respond to changes in demand,” commented David Flaxten, Demand Planning Manager, O2 UK.

Results

ToolsGroup’s SO99+ has enabled a customer demand-driven supply chain for O2’s stores. Dynamic modelling, bespoke planning and the optimisation of store deliveries have improved availability whilst decreasing the days of stock held across retail outlets by nearly 30%.

Additionally, despite O2’s product range growing by 60% year on year and average unit cost growing by 50%:

- DCH enabled O2 to improve forecast accuracy by 10% by freeing up the trading teams’ time to concentrate on core functions and enabling forecast improvement collaboration
- SCH enabled O2 to improve handset availability to 97% in the warehouse and 96% in retail stores while minimising increases in inventory value
- CSA contributed to increase handset availability to 96%

“Our partnership with ToolsGroup facilitated collaboration with our internal teams and suppliers. This enabled us to innovate for our customers, invest in our people, and deliver value to our shareholders,” concluded Nicky McGroarty.

About ToolsGroup

ToolsGroup is an innovation partner for companies who want to achieve highly accurate forecasts, outstanding customer-service levels and less global inventory. An expert in “Powerfully Simple” supply chain planning, we offer software that analyzes demand history across multiple dimensions so you can achieve the most reliable forecast and inventory targets for mastering demand volatility and delivering service level excellence.

Our innovative and advanced technologies enable you to improve and automate your planning processes. Our solutions span key supply chain planning areas such as Demand Planning, Demand Sensing, Promotion Forecasting and Inventory Optimization.

We have more than 300 customers worldwide and one of the highest customer retention rates in our industry. Our experience includes manufacturers, wholesale distributors and retailers in a wide range of demand and inventory driven industries.

Please visit our website at www.toolsgroup.com and click on “About Us” for a list of our offices throughout the world.

