ToolsGroup
Powerfully Simple

Case Study

Wayfair
Internet Retail

- **Faced growing complexity both down and upstream**
- **ToolsGroup helped overcome high volumes, long-tail SKUs and extreme demand volatility**
- **Dramatically cut forecast error, "unhealthy" inventory and wasted effort**

Project and Objectives

Internet retailer Wayfair was growing fast and in a bold new direction, to the point where Alex Goldman, Senior Director of Inventory Planning & Sourcing, could see that their young company was outgrowing its planning system. It was taking his team of three planners roughly 100 hours a week to create a forecast and get out replenishment orders. They were dealing with a growing assortment of SKUs, each with its own seasonality, demand pattern and supplier lead time. The onerous planning process was overwhelming his dedicated, but resource-constrained, team.

Formerly known as CSN, Wayfair used to operate as 200+ highly specialised websites, each offering a single product category, from speaker stands to baby strollers. Although the company had been growing fast, it was missing valuable cross-selling opportunities so made the strategic decision to consolidate under a single Wayfair brand.

Changing tack meant that Wayfair's three-person demand planning team was faced with a raft of new challenges. Rather than drop-shipping all its merchandise as it had done before, it would now start to carry fast-moving inventory. To support this, Wayfair added two new distribution centers, each with its own stocking portfolio.

Wayfair, which offers consumers 'A Zillion Things for the Home', is the largest online retailer of home goods in the United States and is growing internationally. Annual revenues now exceed $5 billion. It stands out from competitors by offering the widest range of curated merchandise in each of its categories, offering something for everyone – from those looking for good-quality budget items to those seeking out unique, luxury brands. Wayfair currently offers more than 8 million items and counting.

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- Kate Fratar, Senior Inventory Planning Manager, Wayfair

According to Goldman, “Complexity was growing both down and upstream. On the one hand we had rapidly growing SKUs, many with long-tails or lumpy demand patterns; on the other hand, we started selling through more retail partners like Walmart and Amazon - each with different demand streams. Our team was snowed under with forecast exceptions and overrides. We knew it was time to review our planning system.”

....Day to Day

After evaluating several options, including its incumbent planning system, Wayfair selected ToolsGroup’s SO99+ software. It particularly valued ToolsGroup’s track record in dealing with high volumes, extreme demand volatility and long-tail SKUs. Finally, Wayfair liked the simplicity of ToolsGroup’s visual interface, made it easy for its planners to hit the ground running.

Wayfair’s ToolsGroup implementation was finished just four months later. Today, SO99+ handles the forecasting for just fewer than one million SKUs and the replenishment planning for the the 40,000 SKUs it ships directly from Wayfair’s DCs.

Results and Benefits

ToolsGroup’s ability to handle Wayfair’s demand volatility, including long-tail SKUs has dramatically improved planning accuracy by:

– Reducing forecasting errors by 50 percent
– Reducing ‘unhealthy’ distressed or aged inventory by 50 percent
– Increasing inventory turns by 25 percent

Crucially, Wayfair achieved these significant performance improvements while slashing planning time from 100 hours per week to 15. This has freed up its planning team to add value to other parts of the business.

Kate Fratar, Senior Inventory Planning Manager, Wayfair explains, “Before ToolsGroup, my team invested a colossal effort for a small payoff. Now the situation is reversed. The chief reason ToolsGroup frees up our time is that we now trust the output. This means we can spend more time looking at the genuine exception SKUs rather having to question everything.”

Goldman adds, “ToolsGroup has adapted very well and been great fit for us. We can now offer different service levels for different items rather than having one universal policy. SO99+ also recognizes that a bulk order of 12 units is different from a single order from 12 different customers. It uses this order-line level detail to dramatically improve forecast accuracy.”

ToolsGroup also helps Wayfair identify the best items for a popular two-day delivery program. Before this had been an arduous, manual process that its old system couldn’t adequately support. Says Goldman, “We plan to aggressively grow this popular program, which improves loyalty and satisfaction levels.”

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.