



CUSTOMER STORY

Amplifon

Sensing short-term demand to optimally allocate stock

Challenges

Operating in a highly competitive, diverse and fragmented market and forced to manage a highly complex extended supply chain, Amplifon lost full oversight over its inventory, particularly which products needed replenishment and the assortment to be distributed to stores. They needed to boost inventory efficiency and integrate distribution and sales processes.

Industry

- Retail & Medical Devices

Solution

- Demand Planning
- Inventory Optimization
- Replenishment

Results

- Optimally allocating stock using short-term demand sensing data
- Cut inventory levels by 18% and obsolescence by 40%
- Significant improvement in the quality of customer service

Company Overview

Amplifon Group is a top player in the global distribution, application and customization of hearing solutions. With a 9% global market share, Amplifon Group is present in 22 countries on five continents. Amplifon distributes their equipment across a network of more than 2100 direct stores, 3200 shop-in-shops & corners, and a network of over 3100 outlets.

Project & Objectives

When a customer walks into an Amplifon hearing store with a prescription or to be tested, they walk out that day with a custom, specialist-designed hearing aid for a one-month trial. The trial hearing aid must be perfectly calibrated so the customer doesn't return it. The whole experience needs to run smoothly because customers are often uncomfortable about hearing loss. Any glitches during the transaction may cause an already tentative customer to retreat. Operating in a highly competitive, diverse and fragmented market, Amplifon Group is

emerging as the top hearing solutions retailer in the US, EMEA and APAC. It owns 2100 retail outlets, has 3200 'shop-in-shops' and 'corners' in third-party pharmacies, opticians and medical practices, and an additional network of more than 3100 indirect points of sale, franchises and affiliates.

Moreover, it operates differently in each region. In the US, where it is known for its Miracle Ear brand, Amplifon's suppliers manage all purchasing and logistics in a B2B model. In EMEA, suppliers and central warehouses in the Netherlands and Italy distribute products directly to retailers in a B2C model.

All this adds up to a highly complex extended supply chain.

Over time Amplifon lost full oversight over its inventory, particularly which products needed replenishing, and the assortment to be distributed to stores. Alessandro Nobile, Group Purchasing and Supply Chain Director, led a project to boost inventory efficiency and integrate distribution and sales processes. He explained, "Amplifon's supply chain doesn't end at the point of sale. It's a forensic process that involves monitoring the whole product life cycle and includes reverse logistics of trial products."

Amplifon initially reviewed its logistics and business processes and decided to implement ToolsGroup S099+ to manage planning and replenishment. The goal was to achieve operational excellence by enabling retailers to provide the highest level of service at the point of sale (POS) while removing their burden of inventory management and logistics. Later Amplifon added ToolsGroup's machine learning engine (MLE) to start leveraging its CRM data and historical sales data in order to improve forecast precision at the store level.

Day to Day

By overhauling its processes and systems, Amplifon now has end-to-end control of the supply chain and complete visibility of all operations. ToolsGroup software senses data at every stage of distribution, including at the point of sale and by channel, enabling Amplifon's planners to identify demand trends, trigger alarm signals, and improve responsiveness between planned and actual supply chain events.

"Before implementation, the shop managers of both owned shops and franchise channels used to define the assortment and the inventory target by SKUs (in shop)," said Nobile. "This process is now centralized and decisions are taken by the central Inventory and Replenishment team.



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An important and considerable effort was invested to drive this pivotal change, which has proven to be very effective and welcome by shop managers. Ultimately they were relieved to be free from supply chain planning so that they could concentrate on sales. A key factor was the introduction of an S&OP meeting, during which they build consensus with sales and marketing on replenishment decisions."

Detailed demand forecasts are generated for sales and marketing teams and for determining optimal inventory levels. Amplifon is now able to determine the right mix of products in stock and high rotation products (connectivity tools and accessories such as batteries, cleaning accessories, phones and headsets) for each point of sale. Each item is automatically replenished according to each retailers' specific requirements, pace and sales strategy. The company has substantially increased the service level across the entire supply chain while striking the right balance between inventory safety stocks and holding costs.

"For demand planning, we introduced statistical forecasting to calculate baseline demand and provided the team with tools for planning the demand uplift during campaigns and promotional activities," said Nobile. "We deeply analyzed the replenishment process to improve both automatic replenishment procedures for our shops and collaboration with suppliers. Advanced inventory planning techniques were introduced to optimize the inventory both at the central warehouse and in our shops."

Results

Sensing short-term demand data and integrating it into Amplifon's sales forecast has allowed the company to optimally allocate stock across the distribution chain, cutting inventory by 18 percent and obsolescence by 40 percent. In addition, these reductions came with a significant improvement in the quality of customer service.

ToolsGroup's SO99+ has transformed Amplifon's central warehouse planning and retail replenishment, and freed logistics staff from mundane tasks to grow into more advanced inventory and demand planner roles. "Today, branch logistics is much more streamlined," says Nobile, "and the work carried out by our most experienced logistics teams are completely integrated into the other business functions. This amplifies our ability to deliver real added value throughout the supply chain."

After augmenting SO99+ with ToolsGroup's machine learning engine, all of Amplifon's store managers have the ability to forecast how much revenue they expect to generate one to three months in advance. It also helps managers to analyze the nature of that revenue by providing visibility into which leads are converting into sales.

+ About ToolsGroup

Please visit our website at toolsgroup.com to learn more about how we are helping leading brands worldwide to improve their supply chain planning.