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APOTEK

Kronans Apotek

Reduces inventory and increases service with centralized, automated planning

Challenges

Kronans Apotek has approximately 27,000 items and around 4 million location/SKU combinations. Inventory management had become too decentralized and Kronans could not properly manage varying seasonal patterns, frequent product replacements and new pharmacy launches. The inventory levels were high and Kronans wanted to decrease them by 15% while increasing the service level by 1.5 %. At the same time, they wanted inventory optimization to be less time consuming and less centralized to give their staff more time to spend on delivering service and advice to customers.

Industry

- Retail

Solution

- Demand Planning
- Inventory Optimization

Results

- Reduced inventory levels by 15%
- Service levels increased by 1%
- Highly automated demand-driven process

Company Overview

Kronans Droghandel Apotek AB is a pharmacy for the modern customer that keeps up with the times. It is the third largest pharmacy chain in Sweden with over 300 pharmacies and approximately 2500 employees. The pharmacy chain is characterized by welcoming customer service and an attractive product range.

Project & Objectives

The objective of the project was to implement SO99+ and Tableau Desktop and Server so that efficient demand planning and inventory optimization processes could be achieved. The goal of the solution was to enable Kronans Droghandel to reach the following objectives:

- Increase service levels
- Reduce inventory levels
- Improve forecast accuracy
- Efficiency improvements

Each pharmacy used to have a designated inventory manager who was responsible for manually setting order parameters for each item; a time consuming job that never led to optimal inventory levels. With the objective to reduce inventory, increase service and release time for the staff to spend with customers, Kronans Apotek made the decision to centralize all product sourcing.

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The central organization then needed a suitable application to support forecasting and inventory optimization. After a thorough evaluation of alternatives, Kronans Apotek chose Optilon's solution based on SO99+ (Service Optimizer 99+) from ToolsGroup, with support from Optilon consultants. "We chose Optilon's inventory optimization since they work from the customer's requirements, while being a developer independent solution provider. In addition, consultants from Optilon supported the organization throughout the whole implementation process" says Tina Jalap, Supply Chain Manager at Kronans Apotek.

Results

"A few months into the implementation we saw a decrease in the inventory of prescription-based items by approximately 15 percent, specifically for the pharmacies where we had implemented the inventory optimization solution." Says Jalap.

A key driver for the selection and implementation of a new solution was to drive automation of the supply chain process as far as possible. As a result, Kronans Apotek calculates optimal replenishment and inventory parameters for SKUs in all of the pharmacies on a daily basis, in an automated process. Four people work centrally to supply products to Kronans' 320 locations, instead of staff at every pharmacy. This saved time by a total of 24 full-time employees across the retail stores. Inventory parameters are based on a forecast that automatically considers seasonality, marketing campaigns and planograms (store and shelf layout). Industry specific considerations like "product of the season" (a government mandated practice for pharmacies in Sweden), is also catered for. All in all, Kronans Apotek has transformed their organization and planning process from push oriented to one that is truly demand-driven.

Kronans not only centralized inventory management—it established core, efficient supply chain planning with the agility to adapt to business change. For example, the pharmacy chain uses SO99+ for promotional campaigns; during the campaign, products are supplied through a temporary increase in parameters. "This increase is removed 10 days before the campaign ends, allowing the volumes to sell down. SO99+ then excludes the temporary increase from future forecasts," Jalap says. "The software also 'learns' from previous campaigns, as well as from customer patterns and seasonal variations."

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