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PIAGGIO

CUSTOMER STORY

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Expediting Inventory Planning Dramatically Reduces Order Expediting

Challenges

Piaggio was faced with an abundance of backorders and was dealing with a high level of dead stock resulting from an inability to sense regular versus specialized demand. And despite experiencing service levels that had dipped as low as 50 percent, Piaggio was relying far too much on expediting shipments via air freight.

Industry

- Automotive

Solution

- Demand Planning
- Inventory Optimization
- Replenishment

Results

- Service level improved dramatically to 90+%
- Significantly reduced reliance on expediting orders via air freight
- Increased ratio of standard ocean to air transit shipments

Company Overview

As Europe's largest manufacturer of two-wheeled vehicles, Piaggio is known throughout the world for superior technology and design. Since 1946, Piaggio's stylish and fuel-efficient brands of motor scooters (including the famous Vespa) have been the epitome of practical indulgence.

Project & Objectives

Piaggio USA Director of Spare Parts, Marco Ciccolini, found himself working extra long hours and even weekends to field numerous complaints from dealerships in the wake of abundant backorders. He also found that he was dealing with a high level of dead stock resulting from an inability to sense regular versus specialized demand. His challenges were compounded by managing three different product lines with a very heterogeneous aftermarket part mix. And despite experiencing service levels that had dipped as low as 50 percent, his organization was relying far too much on expediting shipments via air freight.

> **"The overall process both identifies the inventory needed to fulfill orders and models in-transit and safety stock to minimize inventory while maintaining high service levels"**

Piaggio took the first steps to address their service level issues by implementing an SAP R/3 system that provided basic inventory, forecasting and accounting functions. The company's five-day service levels quickly rebounded into the 70's and 80's. However, service levels were still inconsistent, dipping and peaking during the next six months.

At that point, Piaggio USA initiated a 15-day guaranteed replacement part policy to address dealer concerns. Ciccolini knew the new policy increased the importance of having the right parts in inventory and decided to implement a system that would allow his organization to exceed 90-percent service levels on a consistent basis. He chose ToolsGroup's SO99+, a planning solution that had already been used to manage and optimize the inventory for approximately 180,000 aftermarket part SKU-Ls in Piaggio's European divisions.

Day to day

Within a few months, the process for fulfilling spare parts orders was quickly revamped. The SAP R/3 system now feeds data into a parts database and inventory file. SO99+ takes this information, applies analytic models, and generates replenishment proposals. These proposals become the basis for parts orders, which are finalized in SAP. The overall process both identifies the inventory needed to fulfill orders and models in-transit and safety stock to minimize inventory while maintaining high service levels.

Results

Within just two months, the impact of SO99+ was already being felt. Five-day service levels across Piaggio USA's brands leapt into the 90% range, sometimes exceeding 95 percent, and most important, remained highly consistent there after. Piaggio also dramatically reduced its reliance on expediting orders via air freight, and increased the ratio of standard ocean to air transit shipments. Despite the significant upswing in service level, the company's inventory turns actually improved slightly. Going forward, Piaggio USA's goal is to maintain these high service levels while further fine tuning the system to increase turns.

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