



CUSTOMER STORY

Gruppo Giovannini

Balancing Service Levels and Working Capital with S&OP

Challenges

The electronics distribution business is highly competitive and Gruppo Giovannini needed to make optimal trade-offs between working capital and service levels for their large, ever-changing product range, and to manage an increasing number of long-tail demand items.

Industry

- Wholesale Distribution

Solution

- Demand Planning
- Inventory Optimization
- Replenishment

Results

- Stay profitable even when revenue decreased by 20%
- Increase the product line by 30%; 70% of which are "long-tail" items

Company Overview

Established in 1942 in Trento, Italy, today Gruppo Giovannini is one of the main Italian distributors of wholesale electronics products. In addition to its wholesale business, Gruppo Giovannini operates a retail network of stores branded "Electro Self".

Project & Objectives

The electronics distribution business is finely balanced: on one side companies in this very competitive space have to maintain high customer service levels for their large, ever-changing product ranges. On the other, they have to free up enough working capital to pay suppliers and fund promotions to keep items flowing in and moving out. Planners must continually tune their SKU portfolios, restocking fast-moving items, weeding out obsolete items and keeping enough specialty slow-moving items in stock to keep customers happy and loyal.



ToolsGroup SO99+ helped us stay profitable during a global economic downturn, freeing up capital to invest in long-term growth."

The common theme is inventory. The leaders in this space are those that are best able to make the optimal trade-offs between working capital and service levels based on how efficiently they manage inventory at every key stage - from procurement to logistics to warehousing and also to returns.

Gruppo Giovannini made the strategic group-wide decision to adopt ToolsGroup's SO99+ software more than a decade ago to optimize inventory and manage this challenge. The software saw the company through unprecedented growth, economic turbulence and expansion. SO99+ helped the company stay profitable during this time, freeing up capital to invest in long-term growth.

Even though the global economic downturn in 2009 hit revenues hard, the company was still able to make strategic investments in future growth, including a new logistics hub, a modern high-tech warehouse, new software systems and a comprehensive training program. Along with expansion, came the problem of having to manage an increasingly long-tail portfolio of SKUs as the company's product variety and number of new ship-to retail locations grew. Therefore the company decided to introduce a modern Sales and Operations Planning (S&OP) process to help manage its long-tail, stay resilient to change, and complement earlier investments in technology, infrastructure and people. Popular in electronics distribution, the collaborative S&OP process was born out of the need to improve planning outcomes by optimizing inventory and working capital. SO99+ came through again for Gruppo Giovannini, as the software had been proven a strong catalyst for successful S&OP in other similar companies.

Day to Day

Gruppo Giovannini uses ToolsGroup to support its S&OP process and strike the delicate balance between inventory and working capital, while managing its long-tail challenges. After SO99+ generates the initial demand projections, the sales, commercial and management teams apply their knowledge to fine-tune the demand plan. This revised forecast is used as a basis for the

monthly S&OP planning meeting, after which final changes are made to account for exceptions before the inventory and replenishment plans are finalized. The result is an optimized forecast that ensures that right safety stock levels are in place to meet target service levels. The results of every cycle are communicated back to the planning team so they can improve each subsequent replenishment process.

Results

Through the company's journey of modernization, ToolsGroup's SO99+ software has sat at the heart of operation, helping the company:

- Stay profitable even when revenue decreased by 20%, and more recently achieve profit growth
- More than double the number of Electro Self retail stores (from 8 to 19)
- Increase the product line by 30%; 70% of which are 'long-tail' items

SO99+ also provides Gruppo Giovannini an important competitive advantage that allows it to profitably offer its customers a larger selection of products. The SO99+ KPI dashboard lets managers identify which items in a group are underselling – typically long-tail items. The company then instigates a sales push or promotion, rather than simply discontinuing items. This valuable approach continually frees up capital to invest in long-tail products.

The Supply Chain Manager concluded, "Gruppo Giovannini's strong business performance since the start of the millennium is a direct result of continuing to invest wisely in its systems, processes and people, even when times were tough. ToolsGroup has helped us stay resilient through this journey and prepares us for whatever the future may hold."

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