



CUSTOMER STORY

Alessi

Mixes Up Inventory to Overcome Demand and Supply Variability

Challenges

Alessi needed a planning process to guarantee product availability and consistently fill orders in a timely manner – a stock-mix optimization process. This was difficult because Alessi’s business has high demand variability and long lead times from overseas suppliers add supply variability.

Industry

- Consumer Goods

Solution

- Demand Forecasting & Planning
- Inventory Optimization
- Replenishment

Results

- Sales forecast accuracy improved to nearly 90%
- Overall customer service level increased 7 points from 88% to 95%, without an increase in inventory
- Reduction in working capital costs

Company Overview

Alessi is a leader in highly designed household goods and gifts. Its offerings include products by well-known designers such as Sapper, Morrison, Starck, Graves and Castiglioni. The company has more than 2500 products in its catalog, and introduces about 200 new items each year.

Project & Objectives

As an avid kayaker, Alessi's Chief Operations Manager, Carlo Ricchetti, was used to difficult challenges. Now he was addressing a few challenges off the water. He had already designed and built a central distribution center to distribute directly to North America, Europe and Japan. The new facility improved delivery times and its warehouse management system (WMS) reduced pick times and eliminated mis-picked orders.

Carlo's next challenge was to implement a planning process that would allow him to make sure the inventory was "mixed" correctly to guarantee product availability and consistently fill orders



"We needed a planning process to improve sales forecasts, increase service levels and optimize inventory"

in a timely manner. This was difficult because Alessi's business involves a large number of products that sell in small quantities. Nearly half of their products sell in quantities of 500 units or less per year, so there is a lot of demand variability. At the same time, long lead times from overseas suppliers was contributing to supply variability.

Alessi decided to buffer against this demand and supply variability by improving their safety stocks. This was achieved via a new Sales, Inventory and Operations Planning (SIOP) process. As their partner, Alessi chose ToolsGroup and implemented its SO99+ planning solution to improve sales forecasts, increase service levels and optimize inventory.

Day to Day

SO99+ is integrated to Alessi's SAP R/3 ERP system. Using market data and service/investment objectives, SO99+ calculates the sales forecast and determines the inventory targets needed to guarantee service level objectives. SO99+ is also the basis for an improved and standardized monthly demand forecast process.

The SIOP Manager, Laura Gui, plays an important new role in helping the company achieve their business objectives. She has become the official reference in the company for robust and reliable forecasts and deciding what to produce. Her team calculates purchase requirements and shares them with production and outside suppliers. Laura works in tight coordination with production, sales, the management team, and also the controller, who has a distinct interest in inventory costs, due to the impact they can have on the health of the business.

Results

After implementing SO99+, Alessi improved performance across a range of business metrics from front-end forecasting to back-end production planning and material purchasing. These included:

- Sales forecast accuracy improved to nearly 90%
- Overall customer service level increased 7 points from 88% to 95%, without an increase in inventory
- Improved production planning and raw material purchasing led to better factory efficiency with almost no overtime and reduced idle time
- Working capital costs were reduced through improved inventory modeling and mix optimization