



CUSTOMER STORY

Ratioform

Mastering the eCommerce long tail

Challenges

Ratioform had 90 percent of its inventory items in the long-tail and found it hard to balance its costs with service level goals. Despite having many slow movers, lumpy demand and a seasonal peak around Christmas, the old system could only handle aggregated moving averages. This led to excess inventory levels and considerable manual work for its planners.

Industry

- Internet Retail

Solution

- Demand Sensing
- Inventory Optimization

Results

- Ability to analyze orders at SKU level provided new insight into demand patterns and seasonality, and improved forecast quality
- Improved product availability by 3-4 points, achieving 97% service level goal
- Full integration with MS Dynamics AX ERP software

Company Overview

Ratioform Packaging GmbH is Germany's market leader in packaging for shipping, warehouses and offices. A modern B2B multichannel company, Ratioform operates in 12 locations in five European countries. With 68,000 pallet spaces, the company has the largest product selection available for immediate delivery. Ratioform is part of Packaging Solution Group, a subsidiary of TAKKT AG.

Project & Objectives

With 90 percent of its inventory items in the long-tail, European packaging leader Ratioform was finding it hard to balance its costs with service level goals. Despite having many slow movers, lumpy demand and a seasonal peak around Christmas, its current system could only handle aggregated moving averages. This led to excess inventory levels and considerable manual work for its planners.

As part of its global IT restructuring, Ratioform sought a new supply chain planning system that could easily integrate with its newly rolled-out MS Dynamics AX ERP software. To overcome



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its challenges, the company evaluated several supply chain planning solutions to achieve three core improvements. Uwe Füllenbach, executive board member at Ratioform, explains: "First, we needed to optimize the procurement process, from demand to ordering; Second, reduce the workload of our planners so they could concentrate on fine-tuning forecasts and procurement proposals; Third, significantly reduce safety-stock while achieving service levels goals."

Ratioform chose ToolsGroup's SO99+ supply chain planning software for its analytical capacity and depth. Unlike other alternatives evaluated, SO99+ took into account transactions

at the order level instead of at the aggregated SKU level. Ratioform also valued the fact that SO99+ included demand sensing and inventory optimization.

Day by Day

With support from ToolsGroup, Ratioform was able to implement SO99+ (including planner training and configuring the MS Dynamics AX interface) within six months and without interruptions or outages.

The SO99+ integration with MS Dynamics AX works seamlessly across Ratioform's supply chain. For instance, SO99+ enables orders to automatically be grouped and optimized depending on their unique pricing terms and conditions. This would not have been possible using MS Dynamics AX alone.

ToolsGroup and Ratioform also collaborated to add new algorithms for order functions which evaluate trade-offs between order quantities for negotiated bulk prices against the cost of holding those quantities in inventory. As a result, Ratioform can make smart decisions about total cost of inventory by either accepting quantity discounts for fast moving items or rejecting discounts to save on inventory costs.

Results

After a year in production, Ratioform was very pleased with the increased planner productivity and business results.

“We were able to free up planners for other tasks,” explains Uwe Füllenbach. “We’ve reduced safety stocks significantly, especially of fast-moving items, and our order cycles are shorter. Thanks to SO99+ we have saved a (Euro) six-figure amount of inventory in less than a year. Meanwhile we’ve improved availability significantly, by 3-4 points, and achieved the 97% service level goal expected in our industry. ”

Another important benefit from using ToolsGroup is new insight into demand patterns and seasonality. By taking order SKU-level behaviour into consideration for the demand analysis, not only is forecast quality improving, but the company’s understanding of demand in general. “We have completely recouped our investment in SO99+ within just one year”, says Uwe Füllenbach. “Apart from hard benefits, above all, it’s the detailed insights that ToolsGroup gives a mid-sized company like ours that allows us to punch above our weight in the market.”

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