



#### CUSTOMER STORY

## Leading Electronics Distributor

How One Distribution Giant Adapted Quickly to Changing Market Conditions and Right-Sized Inventory While Maintaining Service Levels

### Industry

- Electronics Distribution

### Solution

- Demand Planning
- Inventory Optimization
- Replenishment

### Project Results (Since 2021):

- Service level increase of 2+%
- Improved stock mix
- Increased automation and staff productivity
- \$10 million in savings using SO99+ Price Break functionalities

### Strategic Recalibration Results (2023):

- Stabilized inventory, leveling safety stock between 30 and 90 days
- Reduced overall proposals by \$20 million
- Canceled \$343 million in inventory orders and pushed out another \$300 million

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## The Industry Leader in Electronic Components Distribution

This global leader and innovator in the distribution of electronic components and automation products boasts a portfolio of a staggering 15 million components, most of which are available to ship same-day. This eradicates lead time for more than two million products and allows the distribution juggernaut to ship tens of thousands of orders per day on average.

## Pandemic-Era Challenges and Opportunities

With a network this extensive, a product range this vast, and customer service level targets this high, the organization began looking for ways to introduce greater automation and accuracy into its supply chain planning. Moreover, many of the company's SKUs experience sporadic demand, and the mixture of long-tail items and fast-movers complicated the forecasting process. Then, at the beginning of the COVID pandemic, the company began feeling the effects of extended lead times and frequent disruptions.

That's when the team began looking for a solution that could support its early pandemic-era goals of weathering the storm, including:

- **Forecast accuracy:** scheduling a year's worth of orders using more accurate forecasts.
- **Ability to look at spend:** understanding working capital investments and cash flow to make sure teams are optimizing investments against service levels and strategic goals.
- **Reporting:** having reports that are built into the planning tool and ready to use, as opposed to external, unsynced methods.

- **Exception-based planning:** embracing automation to reduce the manual work straining the planning team and implement more dynamic decision-making.
- **Defining optimal customer service levels:** finding the right balance of inventory to ensure customer satisfaction without overinvesting in inventory.

That's when the team first turned to ToolsGroup.

"ToolsGroup provided everything we asked for and more," said the Senior Manager, Procurement and Asset Management. "While other vendors refused a proof-of-concept, ToolsGroup used 700,000 of our SKUs of varying service levels for a successful POC. That was critical to our selection decision."



**ToolsGroup provided everything we asked for and more."**

## Initial Partnership

ToolsGroup Service Optimizer 99+ (SO99+) went live in February of 2021 and was rolled out to all planners by April. This included Demand Planning & Forecasting, Inventory Optimization, and Automated Replenishment.

By October, the company was already seeing amazing results.

- Overall service level increase of 2+%
- Better stock mix, increasing service for key items and changing control policies for slow-movers
- Increased staff productivity through automation and MLE NPI functionality
- Realized over \$10 million in savings using SO99+ Price Break functionalities
- Increased automation

With over one million active parts to plan, automation was key to supporting this multi-billion dollar business. “ToolsGroup’s automated solution enabled our planners to identify strategic and industry-differentiating service levels and manage by exception,” said a senior supply chain executive. “Now our team can apply their skills to the anomalies and strategic initiatives that truly require their skills.”



## Post-Pandemic: A New Economic Landscape Brings New Opportunities

As the pandemic started winding down, this distributor encountered a new opportunity to improve its use of SO99+ and gain enormous planning and business benefits, while still delivering its sterling customer experience.

During the pandemic, distributors across the board were having difficulty getting enough inventory. With supplies coming from overseas and organizations experiencing long lead times, SO99+ had fewer inventory guardrails, allowing the planners to order as much as they could to counter constricted supply.

However, as COVID’s grip on the economy loosened, all the delayed shipments and orders started coming in, even as demand for products dropped. The team quickly realized it was carrying too much inventory for the new market dynamics. Amid major economic changes, the company’s strategic approach shifted from acquiring as much inventory as possible, to finding a better way to lower working capital investment and tune inventory to new lower demand levels. The organization leveraged its preexisting partnership with ToolsGroup to develop a plan that would evolve its supply chain planning process to meet new market conditions.



## Adapting to Market Changes

The ToolsGroup team went about leveraging the full power of SO99+, bringing increased precision to the process.

### Strategic Inventory Cuts Amid Complexity

With one million SKUs, the challenge of managing inventory is very complex. The distributor collaborated with ToolsGroup to simplify the process by clustering SKUs by business unit and setting reasonable service goals for each of the different service classes. This meant that inventory cuts were strategic and surgical, not blanket cuts across the board.

### Solution Adaptability and Increased Planner Productivity

By right-sizing inventory, this distributor now has a light- to low-touch user model, freeing up working capital as well as significant planner time and effort. It also upskilled the planning team, leveraging even more of SO99's dynamic capabilities to meet demand amid an increasingly unpredictable landscape.

"ToolsGroup allows us to single out exceptions and has very dynamic settings that can be adjusted to current market conditions when needed," said the supply chain executive. "There were functionalities we weren't initially familiar with that we're leveraging now, such as predictive sensors that enable our team to see, understand, and respond dynamically to future changes in demand and supply. Now we have even greater confidence in our buys and push/pull activity. We have the breadth of product we want and now we can make sure our product depth answers customer needs."



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### A Collaborative and Fruitful Partnership

This strategic recalibration project also strengthened the teamwork and partnership between the distributor and ToolsGroup.

"The ToolsGroup team listened to us and took the time to understand what we wanted to accomplish in both the short and long term," said the supply chain executive. "They were receptive and very knowledgeable about the tool. They could answer any question, but they didn't just answer it; they helped educate our team along the way. And that really gave our team the confidence to lean in, get comfortable with the new solution capabilities, and maximize the advantages of SO99+."

"Thanks to this partnership, we were really able to respond and change as the market changed, right-sizing our pipeline, eliminating excess inventory, helping our team make optimal use of their time and skills, and seriously improving our bottom line."



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## Achieving Even Greater Supply Chain Efficiency and Cost Savings

With SO99+, the organization can continue offering the industry-leading service levels that make it a market leader in electronics distribution.

Here are just some of the results the company has achieved:

- Stabilized inventory, leveling safety stock between 30 and 90 days
- Reduced over \$100 million worth of inventory for A and B items
- Reduced overall proposal by \$20 million
- Canceled \$343 million in inventory orders and pushed out another \$300 million



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## Adapting to Market Changes

This distribution leader continues to keep its eye on the horizon for more opportunities to improve its supply chain planning. It is well on its way of achieving 80% automation in its operations and has made major strides in freeing up planners for tasks of more strategic importance.

"Before, our team was looking at plans item by item," said the VP, Accounting and Finance Operations. "Now, we can let the system do the grunt work so they manage by exception. We're excited to see the potential of additional automation, achieve a better inventory mix, and deliver the outstanding consumer experience our customers have come to expect."



### + About ToolsGroup

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