

Abstract

“Stock after public holidays”

Area

Procurement logistics

Keywords

Stock planning processes, order quantity, public holidays, fresh produce, out-of-stock items, product availability, customer satisfaction, stock, stock optimisation, stock structure, write-offs

Study/project

Study

Starting point/project assignment/objective

70 million stock planning decisions are taken daily, with those taken in the run-up to public holidays having particular significance. In order to prevent out-of-stock situations, stock planning decisions are made with the objective of placing a high-value order, often with the aid of all kinds of information from the past, usually from the previous year's sales figures, with a dollop of worry on top. Retailers with strong sales often use IT-based stock planning, although these systems are frequently found wanting due to the changing framework conditions on such days each year. A survey conducted by TH Ingolstadt with a well-known retailer illustrated that in several years the highest levels of stock of easily perishable foods were not found in the run-up to public holidays but in the days after them. With reduced sales of these product groups after public holidays, write-offs necessarily increase in combination with increased stock. This is value destruction of the highest level in combination with the associated additional handling. The assumption that these kinds of stock increases are the result of delivery date or quantity deviations was not confirmed. According to the survey, the fault lay in the quality of the retailer's stock planning.

Procedure

- Selection of the product group(s)
- Identification of the survey and comparison periods
- Determination of the stock structure and its representation before and after public holidays
- Determination of the products resulting in stock
- Surveying of the processes associated with stock planning
- Derivation of recommended actions

Results/findings

Promising activities with the goal of reducing excess stock begin in advance. Identifying the products resulting in stock was and is a key success factor. Other action areas include physical inspection of the actual stock, ensuring the stock is correct and managing it in an ERP system as well as taking into consideration goods received, with attention paid to the best before date. It was surprising to find that there was no specific and consistent responsibility for stock and associated costs, especially write-offs. Therefore, it was not possible to identify the stock planner with the stock and associated effects. Besides the indicated areas of identifying the stock drivers and stock controlling, small and medium sized retailers can also shorten their stock planning and delivery cycles, as close as possible to when stock is needed, in order to allow them to respond to changes in demand, even though this can have an impact on purchase costs. These are compensated for by cost benefits arising from reduced warehousing and handling costs and avoided write-offs.

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