Internal Inventory Management: Analysis and Improvement for a CPG Company

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Agenda

• Introduction
• Motivation
• Methodology
• Model
• Results
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Introduction

• Sponsor Company
  – CPG leader enterprise
  – Hair care family in Mexico
  – Inventory management for FG at DC and RPM at production warehouse
Motivation

**CPG Companies**

- Growth requires capital investment
- Reduce working capital
- Maintain or improve service levels
- Increase flexibility

**Sponsor company**

- High degree of variation in the supply chain both upstream and downstream
- Single-echelon inventory management
Methodology

• Data reduction
• Segmentation
  – Finished Goods
    • Sales value ABC & Demand variance
  – Raw and Pack Materials
    • Type & Criticality

• Pooling variability from final demand to upstream stages.
• Simulation and Validation data sets
Results

• Total 11% inventory reduction
  – Finished Goods
    • Inventory reduction 8%
    • Service level 95%*
  – Raw and Pack materials
    • Inventory reduction 13%
    • Service level 97%

*same service level used for current model.
Take away

• One model does not fit all (FG & RPM)
• Pool demand and variation directly from final demand to upstream stages
• Build collaborative multi-echelon inventory policies and forecasts with suppliers, manufacturers and customers based on the actual consumer facing demand.
Q&A

Thank you!