



## Specialty Food Manufacturer

(Inventory Management)

Created an inventory model to determine company's **optimal inventory levels based on demand forecasts and variability**, vendor lead times and variability, service levels etc.

# INVENTORY MANAGEMENT

## ABOUT THE CLIENT

Company was a PE-owned **specialty food manufacturer**

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### SITUATION



- Recently added **new sales channels** which had strictly **defined service level requirements**
  - Merilytics partnered with the company to develop an inventory optimization model to **evaluate current inventory situation** and **estimate optimal inventory level** required for each SKU to meet sales forecasts and service level targets for its new channels
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### VALUE ADDITION



- Analyzed the sales forecasts, procurement and inventory data to **estimate optimal inventory levels** for all its SKUs
  - **Customized** the calculations of inventory metrics to consider client specific constraints related to ordering frequency and minimum order quantity (MOQ) of suppliers
  - Analyzed the current inventory situation and recommended the changes needed to **minimize inventory level** while meeting service level targets for next four quarters
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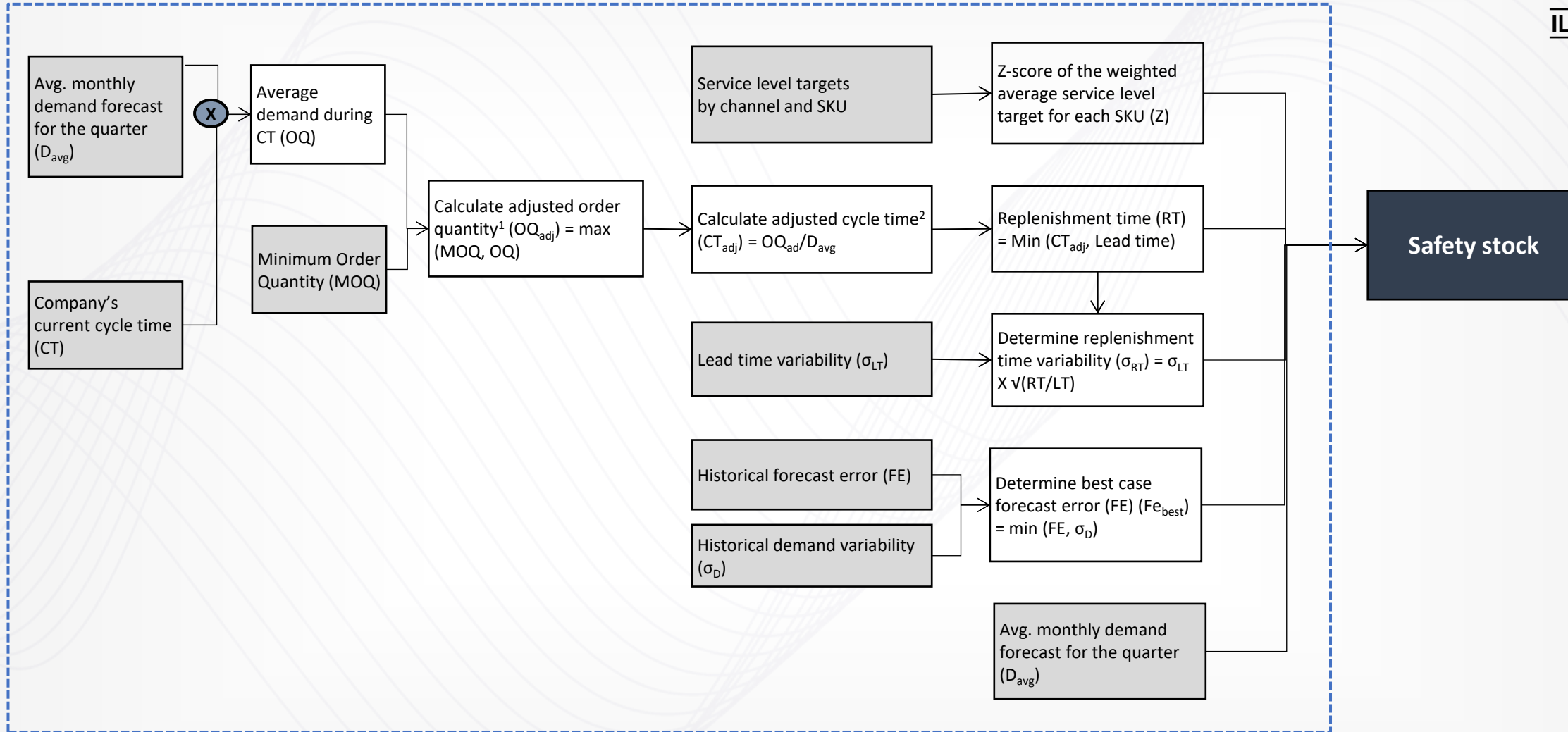
### IMPACT



- Our in-depth analysis and customized inventory optimization model helped the company significantly **reduce their inventory levels on a net basis** and allow them to **meet the service level targets** for the new sales channels

# METHODOLOGY USED TO ESTIMATE SAFETY STOCK

ILLUSTRATIVE



Safety stock

1 Order quantity is adjusted so that it cannot fall below MOQ for any SKU  
 2 Calculated as the time during which demand for the SKU equals  $OQ_{adj}$   
 3 Safety stock for non-Can SKUs is calculated as  $S = Z \times \sqrt{LT \times Fe_{best}^2 + \sigma_{LT}^2 \times D_{avg}^2}$

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