

Delivered additional revenue of US\$ 2 Million and improved profits of US\$ 130K per annum by improving the forecasting accuracy

BUSINESS CASE

Organization Trends:

- Animal Health and Nutrition products are produced at 3 plants and over 23 third-party locations
- Finished products are stored in organization's own warehouses, and at storage locations of multiple dealers and distributors
- Over the past 12 months it has been observed that the inventory has increased significantly and hence the increase in carrying costs
- Increase in the inventory has locked cash, and hence the need to reduce inventory and improve forecasting

Delivered using:

KINDUZ Intellectual Property: KBEF | QADES | AEIOU | VSM^e | LSSIB

KINDUZ Services: Continual Improvement | Culture Transformation | Leadership Augmentation

CHALLENGE

What is the Challenge

- Current Forecasting Accuracy (FCA) is ~40% where as the expected target is more than 80%
- Overall Average Days Inventory Outstanding (DIO) from all divisions is over 71 days which is 200% higher than the targeted DIO
- DIO breakup for different divisions are as follows:
 - Dairy: 57 days
 - Poultry: 50 days
 - Pet Care: 99 days

Where is the Challenge

- Animal health division
- Across Pan-India

When is the challenge

- Since mid 2015

IMPACT

What is the impact

- Due to low FCA the combined inventory costs is over US\$ 5 Million per annum
- US\$ 2 Million per annum inventory written off due to expiry, damages and returns
- Loss of revenue over US\$ 3.2 Million due to improper forecasting
- Increased Customer dissatisfaction due to unavailability of material when needed

TARGET

What is the Target

- To increase the current FCA to more than 60%
- To reduce the current average DIO by 40% from 71 days to 43 days
- To reduce write-offs by 50%
- To increase customer satisfaction levels

OUTCOMES

Improved Profits:

- Additional revenue growth of US\$ 2 Million
- Additional Gross profit of US\$ 130K by controlling excess inventory and inventory carrying cost
- FCA of 62% achieved
- DIO achieved for different divisions:
 - Dairy: 40 days
 - Poultry: 35 days
 - Pet Care: 69 days
- Monthly forecast split into four parts for better accuracy and planning
- Write-offs reduced by 40% i.e. US\$ 0.8 Million

Leaders of tomorrow:

- Increased levels of forecasting accuracy and better efficiency has proportionally increased the satisfaction levels of field sales executives, planning and production team

