

Review. Refine. Results.

How USI Laminate turned back the clock on aging inventory with Manage Metrix

Summary

In only a few months, USI has used Manage Metrix to significantly drive down aged inventory, pro-actively liquidate non-productive stock, quantify vendor delivery performance, reduce orders for items that are not needed and understand trends in product performance and inventory. And as a result, the company is able to, “detect issues before they become problems or lost opportunities...gaining a greater return on investment for each dollar invested in inventory.”

Overview

The leading marketer of roll and pouch laminating machines and films, binding equipment and supplies, USI, Inc., serves a wide array of government, education and business customers through its multi-channel distribution network. To meet customers' needs, the company relied on hundreds of vendors, providing thousands of products, representing more than 5,000 SKUs, housed in two warehouses – one in Connecticut and the other in Arizona. Yet, after more than 30 years of successful operations and growth, the company's inventory processes were showing their age as people continued to rely on limited systems, manual processes and yesterday's data as the basis for critical decision-making.

“Some of the things we needed to do were simply not possible with our existing tools or were extremely time consuming – involving complicated spreadsheets and countless hours trying to drill down to the level of detail we needed,” said Peter Frega, director of operations for USI, Inc.

Several years earlier, USI had implemented Ecomedate from Taurus Software to dynamically analyze real-time data from its Ecometry production system. Even with improved access to operational data provided by Ecomedate, USI still needed to reach critical strategic data beyond the operational databases – especially in such areas as fill rates, inventory turns and aging inventory.

Approached by Taurus Software to become an early adopter of the new Manage Metrix business intelligence solution developed with F. Curtis Barry & Company, it seemed a win-win situation.

Solution

“We have always had a great relationship with Taurus and appreciate the things their software enables us to do. With their knowledge of our systems and processes, it seemed part of a natural evolution to move forward with Manage Metrix” Frega said.

Manage Metrix was developed as an application-independent solution for multi-channel businesses to provide the strategic business intelligence that executives need. The solution offers users the ability to use information from their disparate systems (including Ecometry) in more meaningful ways. Manage Metrix utilizes the power of the open systems environment and the incredible capabilities of

production systems with pre-built queries and tools that empower users to identify key issues, and more importantly, know what to do about them.

“Leveraging the information that USI was already able to get with Taurus’ Ecomedate solution, USI added Manage Metrix as a strategic layer in what they identified as their most crucial area – inventory,” said Cailean Sherman, President of Taurus Software. “They wanted to do more than simply see what they had in inventory. They wanted to determine how old it was, how much capital it was eating up by having it on hand and how it was impacting business overall.”

With Manage Metrix, USI would have the ability to:

- Enhance its inventory management capabilities
- Establish key metrics and measure actual against them
- Examine inventory processes
- Improve inventory performance where possible

Implementation According to Plan

Once approved, implementation began. Mapping of data from Ecometry (via Ecomedate) and other sources was completed by Taurus in advance to ensure that existing and pertinent operational data would be available to Manage Metrix. USI data was then imported into a Manage Metrix environment at Taurus as part of a preliminary test.

Beyond the previously available operational data, Manage Metrix incorporated additional business input such as item attributes “new versus repeat,” “imported versus domestic,” as well as “cost of back orders” and “carrying costs”. This combined data enabled pre-built Manage Metrix queries to present insights into

turnover rates by category or SKU, initial fill rates, final fill rates and cost of back orders by vendor.

Using this data within the framework provided by Manage Metrix, business consultants from F. Curtis Barry & Company, along with Taurus technical resources reviewed the results with USI to define key business priorities and goals. This helped to prioritize the subsequent project plan for implementation, training and the collaborative inventory solution.

Following discussions of results, refinement of goals and final testing, the “live” version of Manage Metrix was installed on the USI server. Two days of training prepared the USI marketing and merchandising staff to use the new Manage Metrix capabilities. Ongoing contact, including inventory improvement follow-up calls, additional enhancements and progress reviews ensured that the tools were working according to expectations and that USI personnel were able to maximize Manage Metrix to meet goals for improving performance.

To support the onsite training, documentation provided details demonstrating how to use and interpret individual queries in managing inventory; detailed glossaries of each data element; terms and calculations from both system and inventory perspectives; the selection criteria that was possible; and screen shots of realistic examples.

“Taurus provided the scripts that enabled us to do in a week what would have taken a good part of six months. You can’t underestimate what the Taurus team did to help us to do that,” Frega said. “The implementation of both Manage Metrix and Ecomedate was designed to make us feel comfortable with our pace and understanding of the capabilities of the products in operations and marketing.”

Hit The Ground Running

Once Manage Metrix went live, Frega and the other users were ready to begin capitalizing on the benefits it was able to bring.

USI's highest priorities were to understand how to reduce the dollars carried in inventory, without negatively impacting customer service and also to measure vendor delivery performance and its financial impact on the company in order to negotiate more favorable terms.

"The difference in what we were able to do with Manage Metrix was immediate," Frega said. "It is so much more efficient at getting the data we needed, such as being able to drill down in seconds, as opposed to the time-consuming process of sorting through spreadsheets. Manage Metrix makes our data easier to grasp because you see a lot more of the costs."

To answer his questions, Frega needed to see the issues impacting inventory turns, fill rates excess inventory and aging inventory – especially as it related to vendors. Manage Metrix allowed him to quickly see which vendors were most frequently associated with back orders, excess inventory and aged inventory.

"Aged inventory occurs from an assortment of reasons – maybe you only need 10, but you have to order 12, or you have items to support equipment that for some reason got canceled. But with Manage Metrix, you can drill down to the data you need to decide what these relationships are costing you and what to do about it," he said.

Considering the fact that USI's on-hand inventory is subject to state tax, it was critical that Frega could determine inventory in units and dollars to reduce levels to

minimize the company's tax burden. More importantly, he had to have the means to do something about it.

Benefits Beyond The Expected

Enter Fred Franco, merchandising manager for USI. In the fourth quarter, with the business intelligence provided by Manage Metrix, he was able to devise a process so that slow moving, canceled and oversupplied items would be flagged and the details provided to the Web group to be marketed quickly. What's more, it ensures that more isn't ordered.

"The ability to pull what you need and view it as close to real time as possible is important. We are able to generate a list, give it to the marketing department to get it up on the Web site and get rid of it. And we can do it in a matter of hours," Franco said. "In the very first quarter, the process was already driving down aged inventory."

This ability to view details that were not previously accessible and to see categories, products and inventory in new ways has implications beyond aging inventory.

"The exercise of categorizing allows us to see a lot more trends, especially relating to back orders," he said. "We're able look at the product data base and see if it's an ordering versus a stocking problem, a category versus a product problem. It's not just the ability to find what you're looking for, but also to detect issues before they become problems or lost opportunities."

Bringing Everyone Together With The Same View

Along with different views, Manage Metrix is allowing USI to better bring together the different viewpoints of various departments within the organization and allowing them to see “one version of the truth”.

“Manage Metrix is causing everyone to look at things a little differently,” Frega said. “Before, if there was a backorder, there was an interdepartmental difference of opinion. Now, we see what the actual cost is to the company, what it means to everyone and what to do about it. It's brought us closer to understanding each other's perspectives. We get the same data more quickly, so there's a lot more nonverbal communication between us.”

For example, there were growing concerns that backorders had been increasing, inventory turns were slowing and that aging inventory was tying up capital. But, there was no definitive answer. Now, Frega and his team are able to view by product, by category and by warehouse to get product “in the right place at the right time.”

“The inventory aging analysis of Manage Metrix has immediate benefits in terms of inventory levels, liquidation and improving inventory turnover. With improved visibility, USI can increase the number of inventory turns and invest smaller amounts of money on inventory without harming the overall customer experience. Ultimately gaining greater return on investment for each dollar invested in inventory,” Frega said.

Results

With Manage Metrix, USI is seeing what it needs to see to respond to what customers want, to reduce costs that impact profitability and to identify areas where opportunity exists.

Installation and training were completed in June 2010 and already by the fourth quarter, USI had significantly reduced its aging inventory.

Because Manage Matrix offered the necessary insights, Frega says it's helping them to think in more strategic terms to see where other categories are seeing a downturn or entering end of life – and know the difference between the two. It also enables them to see growth opportunities.

“The results of what we find can help us to decide if we need to refine our line or to broaden a category – knowing that the decision isn't arbitrary or broad-based because we have the data to support it,” he said.

And, talk about getting more than you bargained for, USI discovered benefits beyond their initial focus on operations – with the marketing department continuing to find new ways of using Manage Metrix to their strategic advantage.