

“Inventory Optimization makes it a lot easier for the inside customer service department so they’re not having to hear ‘you’re always out of stock’... we don’t hear that to the same degree.”

**Russell Parker, Senior Vice President of Procurement
Nature’s Best**



Nature’s Best optimizes inventory throughout the seasons with Manhattan solutions

Grocery shoppers can be fickle, but some buying patterns are as predictable as the seasons they precede. Two excellent examples: Lemonade and Eggnog. When November rolls around, consumers expect to see their local grocer’s dairy case fully stocked with eggnog to get in the holiday mood and prep for the long Christmas season. Six months later when the temperature rises, the craving for a cold glass of lemonade sends shoppers back to the cooler—but only through the hot summer months.

Eggnog and lemonade...these two perishable products have a lot in common. Stocking seasonal items is a challenge for the retail grocery business, but maintaining accurate inventory is even more challenging for the wholesale food distributor.

Nature’s Best distributes a full line of natural and organic foods and specialty products to retail stores throughout the South, Central and Western U.S. As a company, stocking seasonal SKUs can be both profitable and perilous.

Case in point: eggnog

“We’ll get a few nibbles of two to three cases in the first week or two in November,” says Russell Parker, senior vice president of procurement at Nature’s Best. “And that will escalate from two cases to six cases to eight cases to forty cases to eighty cases to two hundred cases. And that’s a ridiculous ramp-up on any kind of product.”

Demand for eggnog stays strong till just about Christmas Eve, then wanes, says Parker. By January 2, consumer demand plummets, and retailers don’t want to tie up valuable shelf space.

Parker notes that their buyers got really good at knowing what inventory Nature’s Best needed to make available at what weeks for what customers—and when that demand might cease. “It’s something that our buyers used to do by the seat of their pants... but on December 23 when you’re still selling 80 cases and you’ve only got 40 cases on hand, your inclination is to buy 40 more because you just know the customers are going to yell at you if you’re out of stock...you have this inclination as a buyer to not let go.

“And so you make that fatal flaw, you buy the 40 cases.”

In the case of Nature’s Best, more often than not that anticipated demand never materialized, and weeks later the unsold inventory would go out of code. And since

Distribution centers: Dallas, CA; Chico, CA

Manhattan solutions: Inventory Optimization, Warehouse Management

Challenge:

To grow the business by expanding distribution territory; achieve optimal inventory of seasonal items to prevent out-of-stocks and keep customers happy while maximizing margin.

Solution:

Nature’s Best implemented Manhattan’s Inventory Optimization to handle not just seasonal inventory, but all purchasing for the organization.

Results:

Out-of-stocks are consistently low, enabling predictable sales and in-flow of goods into the warehouse; ability to quickly model service level strategies to determine the best investment while providing a consistently strong in-stock position for customers.

“

We would never have been able to open a second DC without Inventory Optimization. That wouldn't have been possible.

”

most of that eggnog was bought on deal that was passed on to the customer, the gross margin for Nature's Best was minimal. "The 40 cases you threw out completely wiped out the gross margin dollars you made on the previous 400 cases. So you did all that for nothing except you made a lot of customers happy."

Nature's Best knew there had to be a better way to handle not just their seasonal inventory but also all of their purchasing, which had been using multiple buying models. While looking to grow their business by expanding their distribution territory, Nature's Best sought a more sophisticated solution for their buying techniques and strategies.

The company had already been enjoying success with Manhattan Associates' Warehouse Management solution. Choosing Manhattan's Inventory Optimization (IO) would build on that relationship, and prove to be a smart choice in many ways.

"We did not want to be one of those companies that people wrote articles about, about how we had slashed and burned and died," Parker notes. "Manhattan had demonstrated with Warehouse Management that they were a highly stable company with a highly stable product."

Rapid implementation, rapid results

Nature's Best came up to speed quickly and relatively seamlessly with Inventory Optimization, going live in January 2011—less than eight weeks from the start of training and implementing the solution. "It turned out later it was a little unprecedented," notes Parker. "But no one told us that we were supposed to fail. No one told us that in software implementation that we were supposed to severely negatively impact our customers. And as it turned out with Inventory Optimization it worked swimmingly. There were no issues."

No issues and plenty of benefits for Nature's Best. In the past, making a decision to buy just one SKU used to take a buyer anywhere from two to seven minutes. Today, Inventory Optimization makes multiple rote buying decisions in a matter of seconds. That frees their seasoned, experienced buyers and category managers to focus their time on managing vendor relationships and developing new product offerings. "Inventory Optimization doesn't make mistakes—it's software," states

Parker. "It's as good as the information you give it. And we find time and time again, it's the quality of our ability to manage the data, and to make sure it's constantly updated for pricing, or for palette configuration, or for seasonality, or for lost demand sales—that maintenance is the key to success."

Implementation went so smoothly that less than six months later, Nature's Best opened a second distribution center in Flower Mound, TX without any hiccups...and without adding any additional buyers. "We're gluttons for punishment," says Parker. "We had a staff of five buyers. And yet we were buying for a second DC with another 15,000 SKUs with unique purchase orders, unique shipping and unique minimums. We were able to do that by just adding a couple of clerical people. We would never have been able to open a second DC without Inventory Optimization. That wouldn't have been possible."

In the long run, Nature's Best has been able to keep out-of-stocks consistently low, maintaining predictable sales and in-flow of goods into the warehouse. Inventory Optimization gives the company the ability to quickly model Service Level Strategies to determine the best investment for the company while providing a consistently strong in-stock position for their customers. "And that's just been a complete blessing for the sales department," says Parker. "They've been able to consistently go out and be in the service selling mode because IO and the buyers are able to replicate on a sustained basis an acceptable in stock position. Inventory Optimization also makes it a lot easier for the inside customer service department so they're not having to hear 'you're always out of stock'... we don't hear that to the same degree."

Oh, and the eggnog?

Russell Parker tells the story: "On November 1, IO wakes up and goes, hey, it's eggnog season, and it gives a forecast. It recommends an order of 20 cases. It's determined the pricing already; it's determined the minimums. It's determined whether or not there's a deal. It's determined the shelf life so that those 20 to 40 cases it initially buys will not go out of code before customers start to nibble purchase at it in the month of November. And then because of previous years' histories, it sees the amazing spikes in November, and exactly five to seven days later, IO wants to place an order for 100. No buyer in their right mind would order that 100. With Inventory Optimization, just hang on and trust...the data will set you free. The sales forecast will set you free. So it's just as important to make that sale in the beginning, and it's equally as important on that date of December 23rd that IO is able to look forward and say oh, sales dropped literally to two cases, and it no longer recommends an order."

"The buyer always has the ability to review or tweak because things may happen slightly different, or we may have added a customer at the last minute that IO doesn't know about...IO is always highly sensitive to the fact that it will go out of code. And/or it will not make the sale. And I think that's the magic of it."

Learn more about Manhattan Associates and our solutions:

North and South America +1 877.596.9208 • Europe, the Middle East and Africa +44 (0)1344 318000
Asia Pacific +61 (0)2 9454 5400 • www.manh.com

© 2014 Manhattan Associates, Inc. All rights reserved.