Deloitte.

Analytics Answers

No pain, more gain inventory diet

Using analytics to help a global food and beverage company trim working capital

Abstract

One of the world's largest food and beverage companies was facing a shifting market as more consumers make healthier food and drink choices. The company responded by adjusting its product mix, but leaders also wanted to reduce working capital to further improve shareholder returns. They turned to Deloitte to help them reduce inventory while continuing to deliver outstanding customer service. Leveraging advanced analytics and deep industry experience, Deloitte professionals conducted pilots across six of the company's business units and markets, uncovering inventory reduction opportunities up to 50 percent on finished goods and 40 percent on raw materials.

Challenge — Release working capital through inventory reduction

In recent decades, several mergers substantially expanded the company's geographic reach and product lines to reflect customers' changing lifestyles. While profits continued to grow, leaders felt that additional value could be gained by reducing working capital, particularly through inventory optimization. After talking with several consulting firms, leadership authorized a pilot of Deloitte's inventory analytics solution, Inveritas by Deloitte™ (Inveritas), selecting one of their most efficient plants as a challenging test. Leadership was looking for a replicable approach that they could eventually execute on their own.

Analytics Applied.

Approach — Gain visibility, understand root causes, set targets

The Deloitte team used an approach that combined quantitative and qualitative insights to understand the root causes behind inventory excess and shortage. They kicked off the pilot with a workshop for the global leaders of the targeted business units to gather their perspectives. Next, using Inveritas, the team modeled the supply chain network for the limited scope pilot. The solution calculated each inventory component by item and location and linked them to associated performance drivers such as forecast accuracy, lead times, and production frequency to answer these questions:

- How much inventory is needed to serve customers effectively?
- How can inventory be reduced while improving service levels?
- What policy, supply chain capability, or structural changes are needed?

Deloitte's team answered these questions by providing visibility into each inventory component by item and location, linking key performance drivers, and setting inventory targets to optimize inventory and service levels.

Results — Sustainable working capital improvements

Within 12 weeks, the initial pilot revealed opportunities to reduce inventory by 15 to 25 percent in one of the company's most efficient plants. Leadership expanded the pilot to include five additional business units around the world. Within 18 months, Deloitte uncovered opportunities for inventory reductions of 13 to 50 percent on finished goods, and five to 40 percent on raw materials across the six pilot organizations. The team's key recommendations focused on modifying policies and behaviors, improving demand planning, and enhancing manufacturing flexibility. After implementing the changes, one business unit reported that it had reduced inventory by $13 million in six months, a year-over-year reduction of 13 percent, while maintaining or improving service levels. Leadership plans to scale and automate the inventory solution to 28 business units and markets globally.

Contact us

Looking for new ways to resolve your inventory problems and free up working capital? With Inveritas, we can help — fast.

Tom Phillips
Director
Deloitte Consulting LLP
tphillips@deloitte.com

Nayan Shah
Principal
Deloitte Consulting LLP
nashah@deloitte.com

Sameer Anand
Senior Manager
Deloitte Consulting LLP
samanand@deloitte.com