

# Internal Inventory Management: Analysis and Improvement for a CPG Company



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# Agenda

- Introduction
- Motivation
- Methodology
- Model
- Results
- Takeaways
- Q&A

# Introduction

- Sponsor Company
  - CPG leader enterprise
  - Hair care family in Mexico
  - Inventory management for FG at DC and RPM at production warehouse

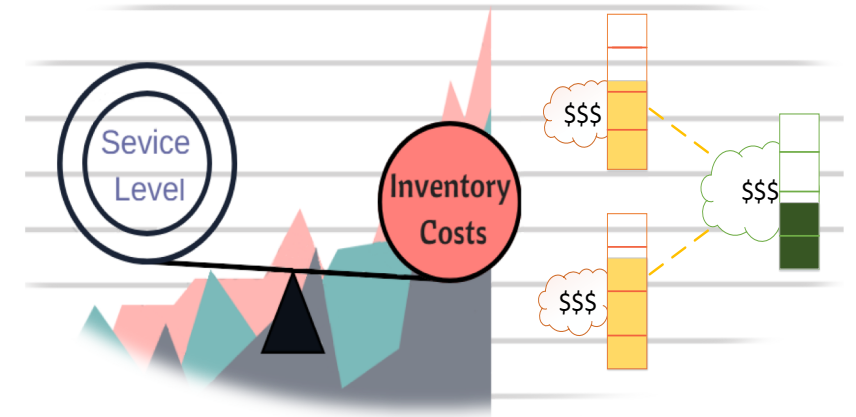
# Motivation

## CPG Companies

- Growth requires capital investment
- Reduce working capital
- Maintain or improve service levels
- Increase flexibility

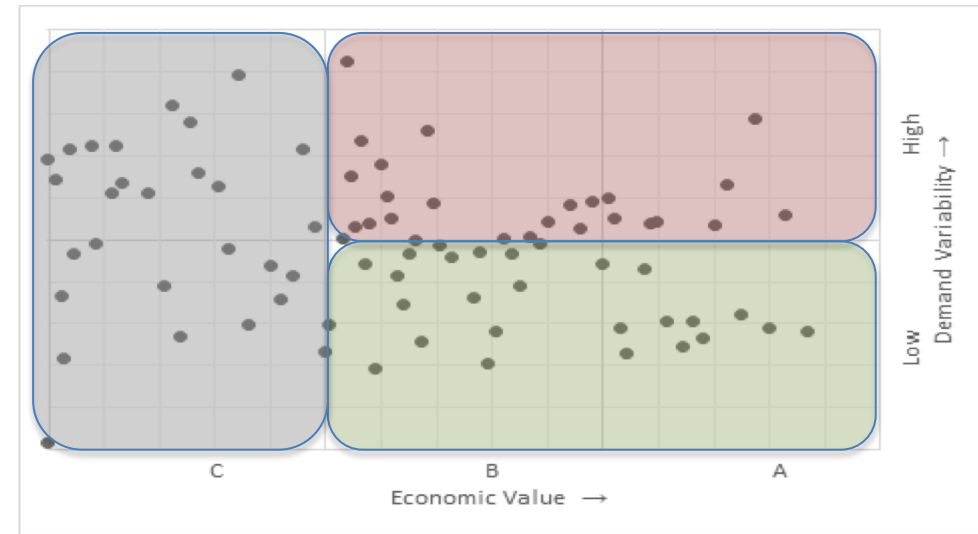
## Sponsor company

- High degree of variation in the supply chain both upstream and downstream
- Single-echelon inventory management



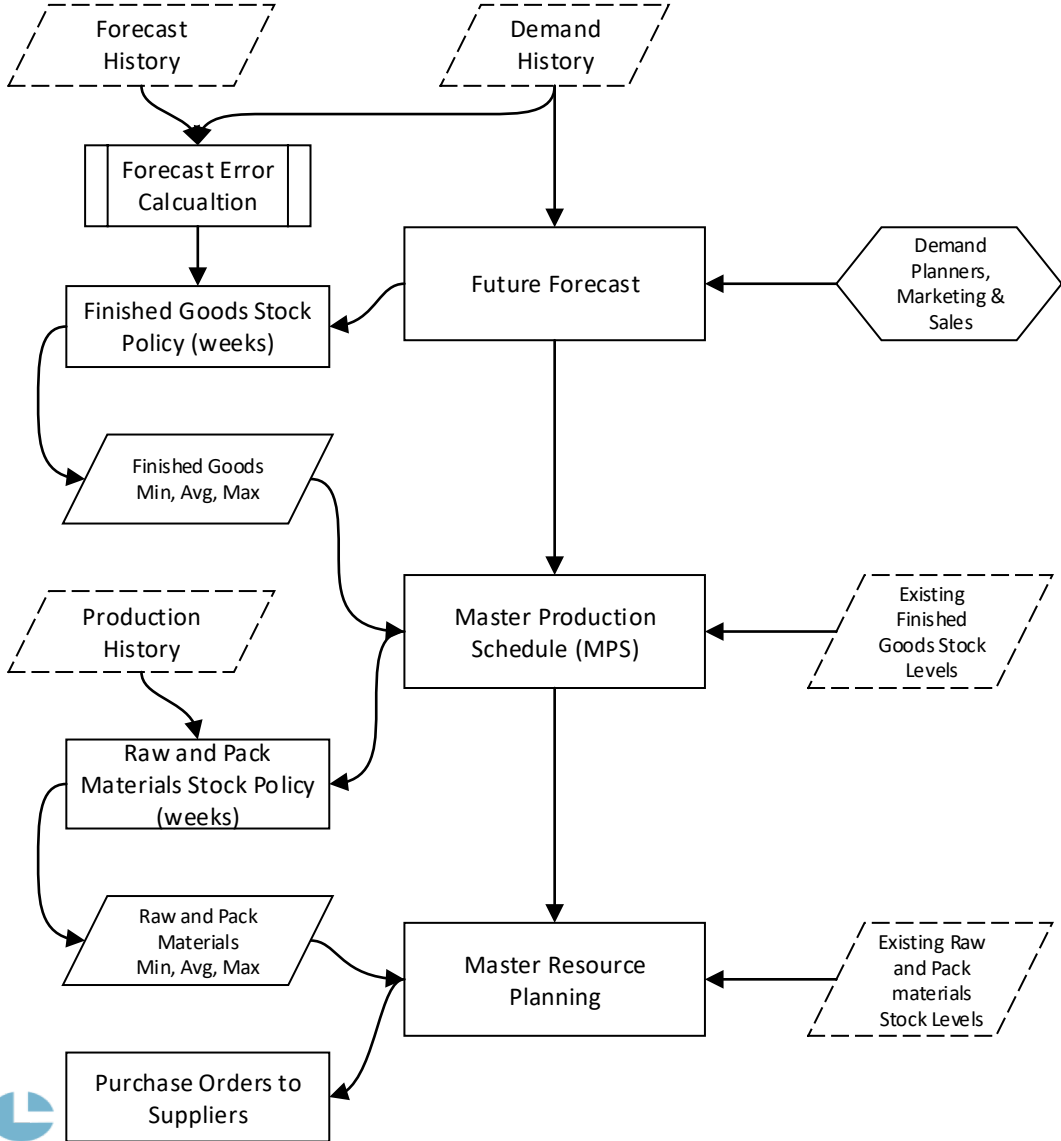
# Methodology

- Data reduction
- Segmentation
  - Finished Goods
    - Sales value ABC & Demand variance
  - Raw and Pack Materials
    - Type & Criticality
- Pooling variability from final demand to upstream stages.
- Simulation and Validation data sets

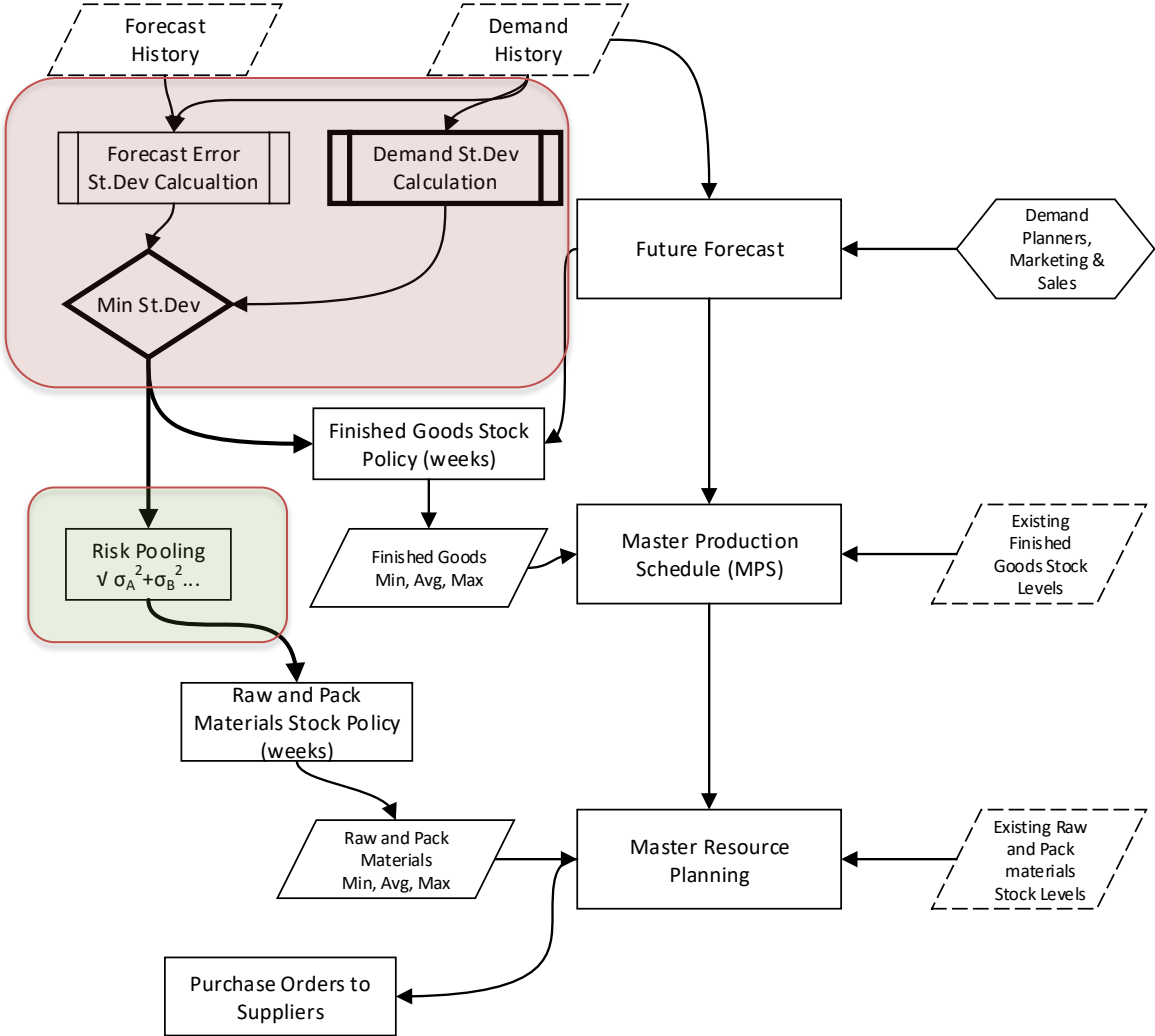


# Models

## Currently Used



## Proposed



# Results

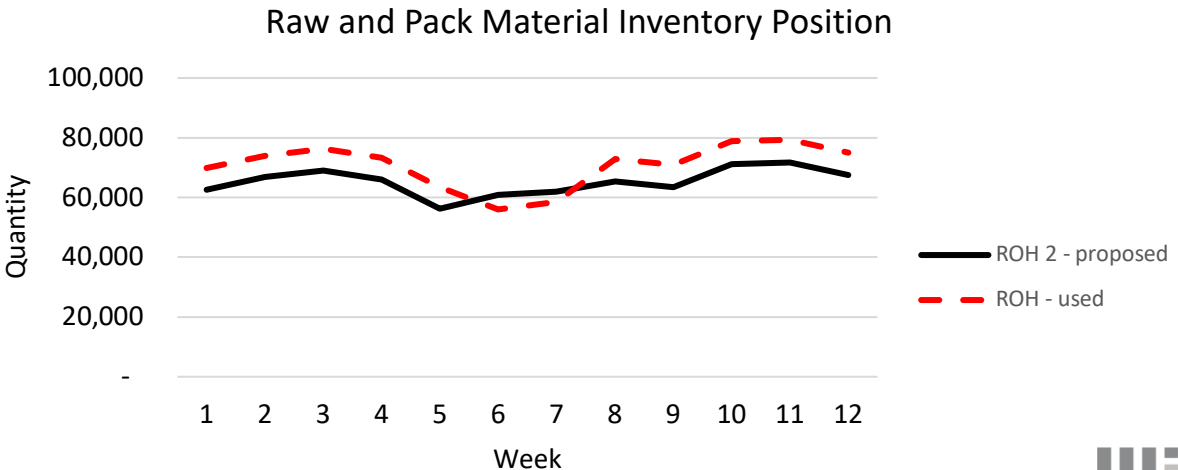
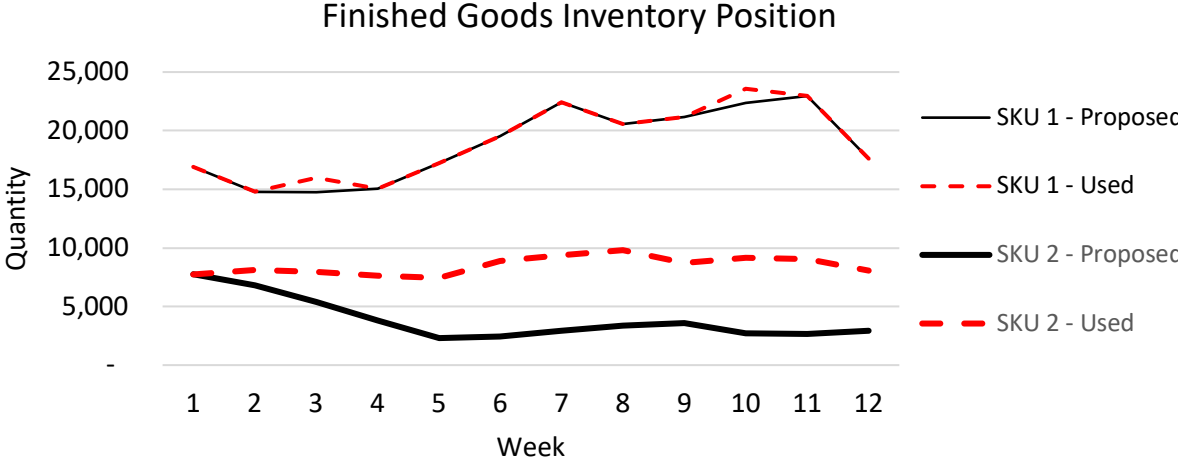
- Total 11% inventory reduction

- Finished Goods

- Inventory reduction 8%
- Service level 95%\*

- Raw and Pack materials

- Inventory reduction 13%
- Service level 97%



\*same service level used for current model.



# Take away

- One model does not fit all (FG & RPM)
- Pool demand and variation directly from final demand to upstream stages
- Build collaborative multi-echelon inventory policies and forecasts with suppliers, manufacturers and customers based on the actual consumer facing demand.



# Q&A

Thank you!