



SOLVOYO



Profitably-Managing Explosive Growth

Solvoyo Case Study of A101

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PROFITABLY-MANAGING EXPLOSIVE GROWTH

When your business grows at a meteoric rate, inventory costs often expand geometrically just to keep pace. Turkey's A101 discount markets had just this issue as they grew from their founding in 2008 to over 3200 stores served by 20 distribution centers today! For some items, they had too much stock, leading to excessively high inventory carrying costs. For other items, they had the wrong inventory in the wrong places leading to critical out-of-stocks in the stores.

By implementing Solvoyo's *Closed-Loop Operational Management*, A101 initially reduced its standing inventory by 8% which translated into \$8.1M¹. At the same time, they decreased their store stock-outs by 30%, resulting in an additional margin contribution of \$1.7M.

The Solvoyo solution also automated a previously-manual process and increased efficiency and effectiveness at all echelons in the organization and throughout the order-ship process.

THE ISSUE

A101 is a hard discount retailer that provides high-quality cost-effective food and consumables at affordable prices at small chain markets throughout Turkey. A 60% year-over-year sales growth has resulted in fiscal 2013 retail sales of US\$1.6B. A101 has 900 regular SKUs and 2000 total active in their small-footprint stores. System-wide, this required over 3 M inventory replenishment decisions each day.

Sales forecast from the stores proved to be inaccurate -- in part, because it was homogenized and demand varied by store and by region. Even though store replenishment was made three times/week, the explosive growth and inaccurate forecast resulted in a costly mix of rising inventory levels of the wrong products and increased stock-outs of the products in demand.

A101's business objectives were to: reduce lost sales due to stock outs; provide the right mix of display merchandise, shelf stock, and safety stock at its stores; and provide the store manager a system to place replenishment orders efficiently.

THE SOLUTION

Solvoyo implemented a *Closed-Loop Operational Management* solution that A101 employs to automatically create accurate forecasts and optimize store inventory targets on a weekly basis, and produce replenishment recommendations for each store on a daily basis.



¹ This allowed A101 to open 130 new stores with no additional inventory investment.

Solvoyo determines the optimal inventory profile considering demand, sales targets, open and in-transit orders, and display constraints, then sends replenishment recommendations to each store manager's hand-held device for approval or enhancement as necessary.

On approval, the optimized inventory replenishment plans are uploaded to A101's Store Execution system for store order fulfillment. The plans are generated centrally, reviewed locally, and filled regionally.

VALUE PROPOSITION

By implementing Solvoyo's Elevation Platform and a *Closed-Loop Operational Management* solution, A101 realized significant annual savings. Their sales-driven replenishment planning has automated the ordering of the right products in the right quantity at the right time. The solution has rationalized the inventory replenishment to the stores -- and it is just the first step!

Already in pilot, A101 is moving back up the supply chain and employing Solvoyo to optimize the Warehouse-to-Vendor purchase order process. A101 expects similar order-of-magnitude savings optimizing this process as well.

A101's COO states, "Solvoyo gives A101 the ability to perform all of our planning needs on the same platform -- strategic, tactical, and operational planning. Further, we can seamlessly integrate their recommendations with our operational systems, minimizing costs and maximizing productivity."

CHALLENGE

A *Closed-Loop Operational Management* solution has the potential to represent the *greatest* single technology-mediated benefit that a retailer can implement. To understand how this can work for you, please contact us!

ABOUT SOLVOYO

Solvoyo is an international enterprise software company based in Boston, MA, and Istanbul, Turkey. We bring your business significant value through the use of innovative supply chain optimization techniques that help you minimize costs while you maximize customer service and profit.

We make it easy for you to get immediate benefits -- our Software-as-a-Service based Elevation platform is implemented very quickly. When combined with our pay-as-you-go business model, you get an extremely short time-to-benefit and at a minimum up-front cost.

We have documented cases where our technology has solved complex, high-volume problems that competitors could not solve at all!

You can obtain more information from our website: www.solvoyo.com