



Micheldever captures lost sales, drives service in a demanding market.



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More than 7 years ago, Micheldever forecasted for more than 6 warehouses and 15 retail locations manually using only historical sales data. Almost every inventory planning activity was manual. Profiling the inventory at each site required buyers to analyse each location and all 7000 items, and ordering took 3 days, with limited approval or sign-off.

Micheldever selected Synchron because they lacked a global view of stock levels and planning. In the process, the company achieved a global view of inventory and:

- Eliminated manual processes
- Improved supplier planning
- Reduce inventory costs
- Captured lost sales due to out-of stock
- Grew service levels in a changing and demanding market

Today, inventory management software from Synchron is supporting 15,000 SKUs, 15 warehouses and 63 retail locations.

Eliminate Manual Processes

At the onset of the project, buyers ordered for each retail location by reviewing stock and demand line-by-line. Creating an order took a full day and the review process required two additional days. With Synchron, the order process takes just 2 hours to complete. To minimize manual effort and ensure faster, automated processes, the Synchron software:

- Defined rules for restocking that account for existing stock, planned movements, variable lead times, and any replenishment planning policies
- Generated recommendations about what and how much to order

- Alerted the buyers to order lines that were outside the forecasted levels

With these alerts, the buyer no longer needed to prepare an order line-by-line. As a result, the buyers at Micheldever focus on trends rather than order lines.

Improve Supplier Planning

Prior to selecting Synchron, Micheldever adjusted some supplier orders to account for low fill rate from suppliers. Today, the rolling 12 month forecast provided by Synchron has significantly improved fill-rates. With a rolling 12 month forecast, suppliers can plan production. Synchron delivers information about demand in time for suppliers to manufacture the required product. As a result, Micheldever no longer orders with the expectation that the supplier will not be able to fill the order.

“It’s not difficult to get stock,” said Hickman. “It’s difficult to get the stock at the right price.” In the tyre business, the cost of materials fluctuates dramatically. Ordering too much when the cost is high can have a dramatic impact on profitability. With tighter control of stocking levels and a better understanding of future demand, Micheldever can manage costs by buying only what they need when prices are high.

Capture Lost Sales

In 2007, Micheldever had no good way to capture data about lost sales. The company did not know how many items were requested by a customer but out-of-stock. Even more critical, was the inability to capture lost sales due to out-of-stock items. “If you haven’t got it in stock, you don’t sell it,” said Julian Hickman, Purchasing Operations Manager, Micheldever Tyre Services. “If you don’t sell it, the item won’t become part of your historical sales. Therefore, we couldn’t forecast for it in the future.”

Micheldever now records lost sales for each location. That information is used by the software to forecast future sales. In addition, the software will automatically identify a particular SKU that has been out-of-stock. Rather than applying those months of zero sales to the items future forecast, the software will forecast demand as if the stock were available during that time. Without this feature, Micheldever would compound lost sales during a period of supplier shortage and fail to order that same item in the future.

Reduce Inventory Costs

Synchron also helps Micheldever reduce costs at its dealers and warehouses without impacting service level. The company uses aggregate demand to



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reduce demand variability. Aggregate demand is the total demand for products within the supply chain at a given time. Micheldever uses the total demand to build a more accurate forecasts, because high demand from one location is offset by low demand from another location. As a result, the company is able to reduce inventory planning uncertainty, which allows a decrease in safety stock and reduces inventory carrying costs. In addition, the more consolidated inventory is easier to manage and has less risk of obsolescence.

Micheldever also uses this information to make decisions about warehouse location and product flow. Warehouse location is critical because the company now offers same-day delivery to more than 80% of its 8500 customers.

By centralising a product in one location, you can take advantage of the aggregated demand. On the other hand, you need to consider proximity to customers and other factors that may push towards maintaining more warehouses. Micheldever considers aggregates demand across all of its locations, and in groups to ensure that the appropriate products are available when they are needed. They also consider the impact of transportation costs when making decisions about where to maintain stock. Using information from the Synchron system, like aggregate demand and transportation costs, Micheldever is able to optimise inventory from end-to-end, which helps reduce overall costs while maintaining service level targets.

Drive Service Levels

Over the years, customers have increased their service level expectations. These customers are looking to reduce their stockholding. As a result, the cost of inventory is being pushed further up the supply chain. Micheldever has adapted by supporting smaller more frequent orders. Without Synchron, the only way the company could support this demand was to maintain more stock.

However, Micheldever did not record an increase in stock despite adding same-day delivery. Increased forecast accuracy and better planning by suppliers using information provided by Synchron's software has kept stock levels consistent.

"We are actually carrying less stock. This is partly because we are more confident in our forecast," said Hickman. "Using Synchron, we carry more SKUs but less of those SKUs. Synchron also keeps our manufacturers and suppliers informed so they are able to deliver the full order on-time."

By increasing availability, Micheldever also increased revenue. For example, the company's premium lines have the largest breadth of SKU.

About Micheldever Tyer Services

Micheldever Tyre Services (MTS) was founded in 1972 as a part-time venture providing car servicing and tyres. Today, Micheldever Group is the largest independent wholesaler, distributor and retailer of tyres in the UK. Selling six million tyres nationwide, (20 percent of the total UK market).

In the premium lines, Micheldever recorded a 15% increase in availability over the last two years, and sales increased by 10%. "We are pretty confident that the bulk of that 10% has come from increased on-shelf availability," said Hickman. "Especially given it is a flat market, where all trends indicate that sales of our premium lines should be declining."

Improvements to service levels and lower inventory costs have the added impact of benefiting the company's biggest customer – its own retail operation. "We've achieved the right balance between service and cost. With Synchron, we have seen availability increase by 20% at the site level. We've also seen a 10% reduction in overage," said Hickman."

Planning for the future

Synchron is supporting Micheldever as it looks to grow its business. The company now has 15,000 SKUs, 15 warehouses and 63 retail locations. With a plan to double its size within 12-months, Micheldever depends on inventory management software from Synchron to support customers that want to order 'little and often', and reduce supply chain costs by having the right stock in the right place, the first time.

Unique features within the Synchron inventory management solution, help Micheldever stay ahead of the competition. One of those features is supersessions. Supersessions allow the user to apply demand from an existing item to a newly launched item, or move demand from a soon-to-be obsolete item to a comparable item. This feature enables Micheldever to:

- Split demand for an existing item among multiple items
- Adjust the planning for the new part(s) by analysing the demand for the old part
- Apply demand to the new part or parts based on the percentage of demand applied

This functionality is useful when applying demand from exiting product to a newly launched product or products. It also reduces obsolescence costs by shifting demand before an item is discontinued. In addition, Micheldever is enabling redistribution functionality within the Synchron software. Redistribution will allow the company to source products from nearby locations. Rules in the software enable Micheldever to control for transportation costs. This functionality is particularly useful when trying to minimise obsolescence and reduce excess inventory. The redistribution functionality in the software can fulfil a single order line from multiple sites, or split an order line to be partially fulfilled from another location and partially fulfilled by an external supplier.

Micheldever also relies on Synchron's analytics and modelling functionality when it acquires or builds a new location. Synchron's software allows the company to model the demand for a newly acquired location using an existing, similar location. When acquiring a new business, often the location will not have a real, meaningful sales history. Synchron gives Micheldever the ability to apply the retail history from a similar location to the newly purchased location.