

YES, Weekly Replenishment CAUSES Out-of-Stocks and Lost Sales - Data Profits

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Research papers support 80% of out-of-stocks are not the fault of the supplier. That means the majority of your lost sales can be quickly reduced by updating your processes and potentially your software.

Read our recent story concerning the perils of weekly replenishment processes, seize your opportunity in your business to move ahead of the competition.



You believe a weekly replenishment process that includes reviewing plan, inventory, and sales to make purchase order decisions is profitable. Some people think weekly replenishment increases turns for the business. Your weekly review and reorder for inventory replenishment also suggests razor sharp exception management processes are in place, ready to act. Weekly review and reorder means there is little chance for out-of-stocks or extraneous freight costs to occur. Historically, these ideas promote the belief that human review and intervention on a weekly basis is the correct and profitable course of action.

So, how is that weekly replenishment process working out for you?

Weekly Replenishment Does Not Solve Out-Of-Stocks

- What's your success rate with your weekly replenishment process? How effective is your review, exception management, and reorder weekly (or bi-weekly) process?
- Do you experience fewer out-of-stocks?
- How many of your weekly replenished suppliers delivered 52 turns last year?
- Did you correctly buy into deals and price changes to optimize your gross margin?
- Did your accounts payable disbursements flatten out across the month?
- How much did you cut back on extraneous shipping costs (rush order costs)?
- The real truth is the exact opposite! More times than not, weekly replenishment (reordering) results in out-of-stocks, lost sales, and additional costs for product shipping.

How did we arrive at the idea that weekly replenishment is a good thing? Look back a few decades to a time when inventory was managed by hand. We used the term 'stock cards,' and we wrote down on hand information weekly on our stock-cards. You walked the floor, reviewed inventory, wrote on your stock cards, and then went back to the office to build your inventory orders. Sales forecasting was also generated in a similar fashion. It utilized a top down approach that forecast everything, with no separation of regular or promotional sales. Today, many businesses continue to believe weekly replenishment delivers excellent results. However, if history is a teacher, we need only look to our past pre-computer days to learn that some of our greatest minds in manufacturing knew this was a bad idea.

Weekly Replenishment is a simplistic approach, devoid of any economic analysis, and is a poor excuse for inventory management. Henry Ford almost bankrupted his company with this simplistic approach, "People can have the Model T in any color—so long as it's black."

Why do bad things result from Weekly Replenishment?

Weekly Replenishment means you expect the order cycle to be 7 days. Some retail environments want to review the potential orders weekly. They set the replenishment software order cycle to 7 days without realizing how this impacts the amount ordered. If the system expects the shelf stock need to be seven days, then the result is you run out-of-stock if you don't order every week.

Bad Demand Forecasting causes problems with weekly replenishment orders. Old legacy system forecasting often suffers from spikes in customer demand and slow or lumpy customer demand. This erratic demand causes orders to be placed early to maintain stock which results in overstocking. The legacy system does a poor job balancing the service requirements, demand forecasts, and can't track the multiple product combinations to correctly balance the days inventory.

Weekly human review and intervention is believed by many to be the corrective action. In reality the human touch coupled with an excel spreadsheet often will create bigger issues. The 'corrective' action taken for this problem is purchasing the out of stock item by itself, paying an up-charge for a lower vendor bracket or paying additional freight for a smaller shipment.

Which of these sound like your business? All of these things cost your bottom-line while reducing the inventory service level seen by your customers. There will be added freight cost, added management cost from weekly exceptions, additional work in accounts payable. Each of these things are hurting your profits and shaping customer opinions.

Out-of-Stock due to Weekly Replenishment?

On average 80% of out-of-stocks are NOT due to the supplier. Several studies support this amazing and surprising fact. In truth, buyer processes and old technology are creating most of the issues in your supply chain. Many retailers are using push (top down) replenishment software and processes that are not accurate enough for the massive global market changes taking place via the internet and smart phones.

The root cause of out-of-stock is likely your demand forecast. Demand Forecast accuracy, lack of trust in the demand forecast or lack of a demand forecast are the biggest contributors to out-of-stocks. Start reviewing your

Demand Forecast weekly, review the last four week across each department for collections of locations (stores or warehouses). Don't use all locations in the same forecast accuracy report, break the products and locations into groups to avoid normalcy of the data (averaging is bad). Test your lead time assumption, do you have enough inventory on the shelf to support sales while waiting on the replenishment truck? Review your system order cycle is it optimized for service and profits or is it optimized to meet the plan?

We have another blog that will be released soon providing the research links that support why 80% of out-of-stocks are not due to suppliers and more details on why out of stocks occur. [Subscribe to our blog](#) so you do not miss the story.

Are you ready to 'Tighten the Links in Your Supply Chain?™'

Stop accepting poor forecasting, out-of-stocks and expensive inventory operations. [Contact us for a free review](#) of your current replenishment and out-of-stock issues. We have the experience and tools to help you improve your business. Also, request a demo to learn how our software can reduce out-of-stocks and increase sales, installed in 30 days at a fraction of the cost of legacy systems.. [Read More..](#)

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Background in Retail, Wholesale and Enterprise Software



“Data Profits iKIS was developed after years of inventory consulting with over 200 customers. Working with C level executives at many retail and wholesale establishments, we developed our unique and highly configurable BI dashboard, collaboration, and analysis software platform which provides demand forecasting, replenishment, lead time forecasting, optimization, and order management.”.

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