



GROENEWOUT

Brezan achieves more turnover with less stock

An interview with Mr Peter Meyer, supply chain director at Brezan in Ede (The Netherlands), by Marcel te Lindert



Auto parts distributor Brezan, with a network of 127 sales outlets across The Netherlands, is keen to get even more out of its nationwide coverage. It has embarked on an ambitious project to raise its service level and increase the turnover per outlet while reducing inventory levels throughout the entire supply chain. Initial results indicate that the project is a success. Supply chain director Peter Meyer from

Brezan: "We ultimately expect to have to hold between 20 and 30 percent less stock."

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Ultra-short delivery times are crucial in Brezan's industry. If an auto repair shop inspects a car in the morning and discovers that a part is defective, a new spare part needs to be delivered within just a few hours to enable it to be fitted the same day. After all, the car's owner wants to be able to collect their vehicle again at the end of the day. "Garages are continually reducing the number of parts they have in stock. In contrast, our range features 300,000 different items, and we stock 84,000 of them for same-day delivery. We order the others from one of our 250 suppliers, and cross-docking ensures that they are supplied the following day," says Peter Meyer, supply chain director at Brezan.



Peter Meyer

The Brezan distribution network comprises a central distribution center in Ede, eight depots spread throughout the country and a total of 141 sales outlets, of which 127 are located in The Netherlands and the other 14 in Belgium. Brezan has set itself the objective of growing its market share and has embarked on a program to considerably increase the turnover of each sales outlet, with a key role for inventory management. "We are in no doubt that we that can sell even more items per branch if we hold the right items in stock at each one, which is why we want to increasingly base our decisions on sales data. We will soon be recording precisely which items are sold per outlet, and then ensuring that they are kept in stock," explains Meyer.

Focus on sales data

This ambitious project, which Brezan is calling 'Blue Eagle', is not only intended to increase the sales per outlet but also to improve the service level and to reduce inventory levels throughout the entire supply chain. Meyer asked Groenewout to evaluate the whole concept and to carry out the necessary calculations. The consulting firm calculated how often should Brezan have to sell a particular item before deciding to hold it in stock?

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That's a tricky question. If we set the bar too high, we might succeed in reducing our inventory but at the expense of availability. Groenewout worked out the sensitivity analysis for us, both for our sales outlets and for our depots. They were very thorough in their approach and provided solid reasons to support their conclusions without overwhelming us with endless Powerpoint presentations," comments Meyer.

Groenewout validated several business rules to enable Brezan to determine where in the chain stock should be held for each item and each sales outlet. If the sales history for the past 12 months shows that a particular branch has sold a specific item a certain number of times, the outlet has the right to hold that item in stock. If the sales figure is below the defined amount for that item, the branch forfeits the right to stock it and must return the item to the depot. Similar business rules have been drawn up for the depots: if the demand for an item does not exceed a pre-defined minimum level, stock of that item will only be held at the central DC. "This method will now enable us to review our entire range every week, whereas we previously only used to do so a couple of times a year," states Meyer. Whereas the 'annual relocation' of items used to be a disruptive factor, the movement of small volumes of items each week is now embedded in the operation.



Optimal number of depots

In addition, Groenewout calculated the optimal number of depots for Brezan. The wholesaler currently has eight depots in the Netherlands: they receive daily deliveries from the central distribution center in Ede and they themselves each make three deliveries a day to the sales outlets connected to them. "Another of our questions was how to organize the replenishment of the depots. Should we stock fast movers in the central distribution center at all, or should they only be kept in the depots? The latter option would indeed reduce inventory levels, but it would also mean that our suppliers would be delivering to eight depots instead of just one central distribution center." Groenewout concluded that Brezan's current number depots was ideal. The location of the existing eight depots is also very close to the optimal spread that the consultants arrived at using special computer software for planning routes and selecting locations.

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Meyer: "It became apparent that expanding the number of depots would not lead to any significant improvement in service. We didn't even bother to pursue the option of stocking fast movers only in the depots; the people from Groenewout told us that they did not support that concept because it would result in many more deliveries and hence more handling in the depots themselves. I really value that type of approach. Groenewout wouldn't carry out any calculations that I didn't ask for or that they didn't believe in."

Up to 30 percent reduction in stock

Following successful pilots of the Blue Eagle concept at two sales outlets, the concept was rolled out across all eight depots and 141 sales outlets in the course of 2014. That entailed four or five outlets making the switch each week, which was an ambitious plan. "This concept is already living up to expectations and has enabled us to reduce our stock by 20 to 30 percent. That is freeing up considerable working capital which we can reinvest in other areas of our product range. Furthermore, we are banking on lower logistics costs too; not only inventory costs, but also transport costs. And finally, better availability should lead to higher turnover," claims Meyer. The roll-out has resulted in the total service level rising from 92 to 98 percent, and the number of customer orders fulfilled within three hours, either by the sales outlet or the depot, has increased from 88 to 93 percent. "That is in line with our objectives, since not every spare part necessarily has to be delivered on the same day. Our overall service level target ultimately lies at 98 to 99 percent," says Meyer, who looks back on the collaboration with Groenewout in the first phase of Blue Eagle with satisfaction. "They are consultants with lots of experience in the industry and a down-to-earth approach. And that fits well with us. The new concept also has consequences for operations in our central DC in Ede. We've asked Groenewout to work with us on scaling up and improving the operation there."

By Marcel te Lindert

Marcel te Lindert is a journalist with over ten years of experience in logistics. He was editor-in-chief of the Dutch magazines Transport+Opslag and Logistiek. Today he works freelance for magazines like Supply Chain Magazine and Logistiek Totaal.

More information

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