



Challenges:

- Too high inventory levels
- Inventory management process too decentralized and time consuming
- Higher customer expectations on product availability

Solutions:

- S099+

Results:

- Reduced inventory levels by 15% within a few months
- Service levels increased by 1 %
- A highly automated process
- A centralized process
- Efficient handling of promotional campaigns, seasonality,

KRONANS APOTEK REDUCES INVENTORY LEVELS WHILE INCREASING SERVICE THROUGH A NEW MORE CENTRALIZED AND AUTOMATED PROCESS

With an increasing demand on product availability, especially in the omnichannel, keeping the inventory levels low while keeping a stable service level becomes increasingly challenging. Especially in an industry that is service oriented, one does not want to put too many hours on managing the inventory that could be used for customer service instead. Kronans Apotek decided to tackle the problem by centralizing and automating their inventory management by working with Optilon and implementing S099+. This resulted in reduced inventory levels, increased service levels and more time for the staff to spend with customers.

The Challenge

With over 330 pharmacies, Kronans Apotek is the third largest pharmacy chain in Sweden. Kronans Apotek has approximately 27 000 items in total and around 4 million location/SKU combinations. The customers value the right product range; at the same time, it is also time consuming and challenging for the pharmacy staff to plan the correct assortment and availability, resulting in high inventory levels.

The inventory management had become too decentralized and Kronans could not properly manage varying seasonal patterns, frequent product replacements, and new pharmacy launches. The inventory levels were high and Kronans wanted to decrease them by 15% while increasing the service level by 1.5 %. At the same time, they wanted the inventory optimization to be less time requiring and centralized to give their staff more time to spend on giving service and advice to customers.

The Journey

Each pharmacy used to have a designated inventory manager who was responsible for manually setting order parameters for each item; a time consuming job that never led to optimal inventory levels. With the objective to reduce inventory, increase service, and release time for the staff to spend with customers, Kronans Apotek made the decision to centralize all product sourcing.

About Kronans Apotek

Kronans Droghandel Apotek AB is a pharmacy for the modern customer that keeps up with the times. It is the third largest pharmacy chain in Sweden with over 300 pharmacies from Trelleborg in the south to Malmberget in the north and approximately 2500 employees. The pharmacy chain is characterized by a welcoming customer service and an attractive product range.

About Optilon

Optilon creates business value for companies in manufacturing, e-commerce, wholesale, and retail through independent application based solutions for planning and optimization of supply chains. The consultants are specialists in their field and work within three main areas: Supply Chain Design, Service Optimization, and Supply Chain Planning.

About ToolsGroup and S099+

ToolsGroup is the company for demand-driven supply chain planning. Its software S099+ analyzes demand history to obtain the best possible forecasts. ToolsGroup's solutions span key supply chain planning areas such as Demand Planning, S&OP, Demand Sensing, Promotion Forecasting and Inventory Optimization. Its "Powerfully Simple" philosophy means that its software supports highly intelligent decision-making, and yet at the same time is easy to use.

The central organization then needed a suitable application to support forecasting and inventory optimization. After a thorough evaluation of alternatives, Kronans Apotek chose Optilon's solution based on S099+ (Service Optimizer 99+) from ToolsGroup, with support from consultants at Optilon.

"We chose Optilon's inventory optimization since they work from the customer's requirements, while being a developer independent solution provider. In addition, consultants from Optilon supported the organization throughout the whole implementation process" says Tina Jalap, Supply Chain Manager at Kronans Apotek.

The Results

"A few months into the implementation we saw a decrease in the inventory of prescription based items by approximately 15 percent, specifically for the pharmacies where we had implemented the inventory optimization solution." Says Jalap.

A key driver for the selection and implementation of a new solution was to drive automation of the supply chain process as far as possible. As a result, Kronans Apotek calculates optimal replenishment and inventory parameters for SKUs in all of the pharmacies on a daily basis, in an automated process. Four people work centrally to supply products to Kronans' 320 locations, instead of staff at every pharmacy. This saved time by a total of 24 full time employees across the retail stores. Inventory parameters are based on a forecast that automatically considers seasonality, marketing campaigns and planograms (store and shelf layout). Industry-specific considerations like "product of the season" (a government mandated practice for pharmacies in Sweden), is also catered for. All in all, Kronans Apotek has transformed their organization and planning process from push oriented to one that is truly demand-driven.

Kronans not only centralized inventory management—it established core, efficient supply chain planning with the agility to adapt to business change. For example, the pharmacy chain uses S099+ for promotional campaigns; during the campaign, products are supplied through a temporary increase in parameters. "This increase is removed 10 days before the campaign ends, allowing the volumes to sell down; S099+ then excludes the temporary increase from future forecasts," Jalap says. "The software also 'learns' from previous campaigns, as well as from customer patterns and seasonal variations."

"We are finding solutions in the software for everything we need to do. The implementation has been a great success."

Tina Jalap, Supply Chain Manager at Kronans Apotek.

