RELEX

Case Vianor:

Efficient replenishment of seasonal products

Challenges at the starting point

- Difficulty of forecasting sales due to strong seasonality and dependence on weather
- Influence of local weather conditions and competition on the sales of the locations
- Extremely high stock levels prior to season
- Distribution of scarcity in situations where demand exceeds market supply

Goals

- Reduction of location stocks during season
- Freeing up of space at the locations
- More centralised control over streams of goods and reduction of the workload required when placing orders

Results

- Lower stock value during season (by 30% on average)
- Improved availability in all commodity groups
- Higher order and delivery volumes to decrease freight charges
- Capability of locations to free up space for the tyre hotel business
- Distribution of goods to optimal locations as regards sales in scarcity situations
- Comparable sales growth 7%

Starting point

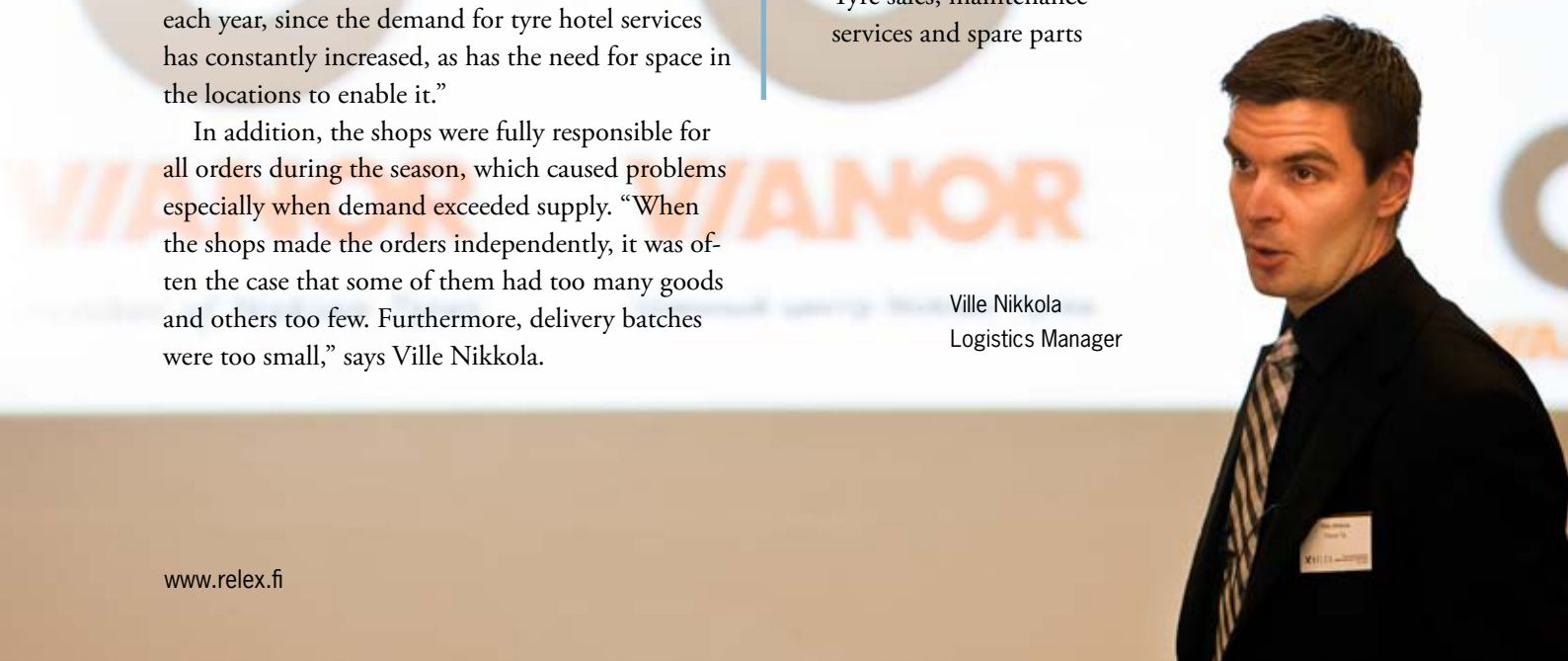
The previous replenishment model of Vianor was based on large seasonal advances as well as decentralised orders during the season. ERP and Excel were utilised in the operations. Vianor's Logistics Manager Ville Nikkola: "Seasonal advances aimed to cover almost the entire demand of the season, so prior to the season all locations were crammed with tyres. The operations model became more problematic each year, since the demand for tyre hotel services has constantly increased, as has the need for space in the locations to enable it."

In addition, the shops were fully responsible for all orders during the season, which caused problems especially when demand exceeded supply. "When the shops made the orders independently, it was often the case that some of them had too many goods and others too few. Furthermore, delivery batches were too small," says Ville Nikkola.

Vianor in brief:

- Subsidiary company of Nokian Tyres Plc
- The leading tyre chain in the Nordic countries
- 170 own locations and 546 franchising locations in 20 countries
- Tyre sales, maintenance services and spare parts

VIANOR
Member of Nokian Tyres



Ville Nikkola
Logistics Manager

Moving forward risk-freely via a pilot

The development need for product replenishment was recognised at Vianor, but there were several question marks lingering in the air on how to progress in the matter. Can both advances and replenishment during the season be managed with the same system? Will the shops embrace the change? Is it even possible to use automatic forecasting for such volatile and strongly seasonal products? Logistics Manager Nikkola: "The complete, productional and cost-wise risk-free possibility for piloting offered by RELEX suited us perfectly. During the pilot, we got to test the centralised operations model in 11 locations, and any doubts about the functionality of the system and our own processes vanished. As sales developed positively and even availability improved in all pilot locations, also the feedback from the shops was positive."

Of course, there were also problems during the pilot. Ville Nikkola: "We had many procedures and limitations – such as selling tyres in sets – that we failed to see as relevant beforehand. These problems were resolved quickly "on the fly", which increased our trust in the operations model and co-operation with RELEX."

Taking over seasons with precise forecasts

Especially in winter tyre sales, seasonality is very strong as 30% of sales is done within 10 days of the first snowfall. "We have previously considered the quantitative forecasting of demand too difficult for our business operations. However, the forecasts provided by the RELEX system hit their mark so well that we have been able to decrease the amount of advances dramatically. This way, the most important factor for us – the maximum stock at locations prior to the beginning of the season – has decreased on average by 30%. Therefore, we are able to accommodate more tyre hotel customers without any major tyre transfer operations, precisely according to our core business goals," Logistics Manager Nikkola states.

Scarcity situations under centralised control

Winter 2010/2011 has been very snowy and cold in the entire Vianor market area, so tyre sales have exceeded forecasts. With the help of the solution provided by RELEX, however, Vianor has been successful in targeting the available tyres at locations more accurately. Ville Nikkola: "We have been able to balance the capacity of different locations to the same level also during the season, even though the sales and sales profiles between locations vary greatly. Furthermore, when control is centralised, deliveries are more efficient and not those expensive one-row quick deliveries. Also expensive transfers between locations have decreased."

Full speed ahead after the pilot

At year-end 2010, Vianor made the decision to introduce RELEX systems in the replenishment processes of all locations in the Nordic countries. The system was first introduced in December in the 55 locations in Finland, after which Norway and Sweden will follow.

"Both the system and the operations model have been fine-tuned in the pilot, so expanding functionality is straightforward and fast. We expect the replenishment change to bring extensive and swift benefits across borders. The personnel of the locations can better concentrate on customer service, and we are able to offer our tyre hotel service to a larger part of our customers. In addition, the operations model will facilitate efficient production planning in the future, which of course is very important as regards the entire Nokian Tyres Group," Nikkola concludes.

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