



## INDUSTRY

Telecommunications

## LOCATION

Headquartered in the US with presence globally

## CHALLENGE

Reduce excess inventory while maintaining high service levels

## SOLUTION

- Comprehensive Assessment Consulting Engagement to prioritize initiatives based on the company's specific business goals
- Forecasting Consulting Engagement resulting in a transition to a global standard of optimized, trend-based forecasting methods
- Inventory Optimization Consulting Engagement resulting in updated cost parameters to achieve true inventory optimization

## RESULTS

- Global forecast reduction of 6% resulting in a decrease in projected supply orders for a cash flow benefit of \$1.9M
- Service level improvement of 5% resulting in better value to customers and cost savings from elimination of expedited shipping, SLA penalties, and other stockout costs
- Above savings achieved while reducing target stock levels for an additional \$1M in carrying cost savings

# Baxter Planning Case Study: Telecommunications Provider

Baxter Planning provides inventory planning and optimization solutions to support service supply chain requirements. Baxter offers a range of services to complement the Prophet software and ensure optimal success throughout the client life-cycle. The combination of software with Baxter Best Practice Consulting aligns Prophet customers to realize the full benefits of the solution. Learn how a leading telecom provider known for innovative technology supported by a flexible service model was able to leverage Baxter Consulting to align their service supply chain for success.

## Comprehensive Assessment

Baxter consulting engagements begin with a Comprehensive Assessment where an in-depth review of the client's Best Practice Scorecard is used to prioritize the improvement opportunities most important to their business. Expert Baxter consultants employ a four-phase methodology to build a full list of strategic opportunities, create a detailed business case, and prioritize initiatives based on the company's specific business goals.

For this telecom customer, the Comprehensive Assessment started with a conversation about the organization's management direction. The company's goals are to reduce excess inventory and meet budget targets while maintaining service levels above 97.5%. Digging deeper, Baxter consultants found that excess inventory had accumulated due to a cautious and conservative stocking strategy but management was now ready to take a more assertive approach. Discussions revealed a need to standardize across regions while using differentiating factors intelligently. After reviewing the findings, prioritized recommendations, and initiative roadmap from Baxter, the company took action by pursuing the consulting offerings of Forecasting and Inventory Optimization.

## Forecasting

To reduce excess, the customer needed to define optimal target stocking levels; but to define those stock levels, the company had to first generate an accurate forecast. The company's current configuration relied on conservative forecasting methods to ensure the highest service levels. However, this approach often resulted in excess inventory driven by stock levels that went above the point of providing additional service level. Further, teams were forecasting differently between regions which made it difficult to view global excess consistently.

Baxter Consultants reviewed forecasting best practices with the client team who ultimately made the decision to transition all regions to an optimized selection of trend-based forecasting methods. The organization went from an unoptimized forecast that differed by region to a global standard that streamlined processes and positioned the company for global redeployment of inventory.



The Baxter team provided a simulation of expected results that compared the current forecast to the modeled forecast as well as any changes to purchase and repair suggestions driven by the new forecasts. This information allowed the customer team to understand the revised forecasts and gain confidence that updated forecasting would not negatively impact on service level. This allowed the business to prepare for the changes and assess the near-term impact as well as the long-term savings in relation to their corporate financial policy. The forecasting engagement led to a projected 6% reduction in global forecasts and a projected 18% reduction in global purchases over the next four quarters.

## Inventory Optimization

Once the client's planning team felt confident in the forecasts, the group set out to optimize target stock levels. Baxter's Total Cost Optimization model calculates target inventory levels by balancing inventory cost (the cost of positioning material) against stockout cost (the cost of a not having material available when and where demand occurs). Prophet's configurability ensures that inventory and stockout costs are calculated accurately based on a business's specific environment and goals. These parameters are the foundation for Prophet's target stock levels so Baxter consultants worked closely with the planning team through an iterative process to update the inputs to more accurately reflect current business conditions and test the parameters thoroughly.

This telecom leader differentiates their service supply chain on several elements but these distinctions were not well reflected in the system. There was a need to differentiate based on product categorization – a critical server vs a non-critical phone. There was a need to differentiate based on magnitude – the impact of major outages vs minor outages. There was a need to differentiate based on site accessibility – locations in rural areas or those with strict customs clearance.

The team started by updating inventory stockout costs to account for product criticality and updating downtime costs to account for outage differentiation. In the current configuration, all sites were deemed equal and autonomous when instead, site relationships should have been considered. Changes were made to account for regional hubs and backup sites while emphasizing critical sites. By correctly modeling the cost parameters, the client was able to reduce target stock levels by 33% while increasing projected service level by 5%. These updates gave the team the confidence to remove overrides and constraints from the system to achieve true inventory optimization. From here, the customer is now positioned to pursue their goal of reducing excess inventory and maintaining industry-leading service levels.

### ABOUT BAXTER PLANNING

Baxter provides cloud-based software and services for inventory planning across complex, global supply chains in diverse industries including technology, healthcare, and food service equipment.

For more information, visit [baxterplanning.com](http://baxterplanning.com) or call us at +1 (512) 323-5959.



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PLANNING

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## Outcome

Projected benefits over the next four quarters include:

- Global forecast reduction of 6% resulting in a decrease in projected supply orders for a cash flow benefit of \$1.9M
- Service level improvement of 5% resulting in better value to customers and cost savings from elimination of expedited shipping, SLA penalties, and other stockout costs
- Above savings achieved while reducing target stock levels for an additional \$1M in carrying cost savings