



Devlyn Case Study

Industry: Retail, Eyewear, Optical | **Headquarters:** Mexico City, Mexico

Fast Facts

- Rotation of non-selling tail inventory between stores resulted in 73% average sell-through in 6 months
- Inventory aged beyond 90 days in stores was reduced by 26%
- Stores' top sellers' availability was improved by 125%
- Category shortage in stores was reduced by 64%

“Both the Commercial and Technical team were great! We were able to work together, implement and start using the system in less than 10 weeks. Our ability to manage our inventory in these critical times (COVID19 Pandemic) was enhanced.”

Victor A. Mendivil CIO & CSCO Devlyn Holdings

Overview

Devlyn is the largest optical group in Mexico. With more than 80 years of experience, they are a world-class player in the growing optical retail market. Devlyn not only controls and operates a variety of stores within the industry, but has also expanded its activities towards optometric and ophthalmological specialization, in addition to providing optical products for the wholesale market.

Grupo Devlyn has an infrastructure capable of meeting the requirements of almost 900 optical stores.

Key Challenges

With the need to showcase a wide variety of products in its stores, Devlyn faced a growing challenge of an accumulation of slow-moving inventory. Slow movers in stores occupied shelf space, blocked cash which was otherwise needed for refreshment of new products and replenishment of fast movers, and seriously compromised a store's ability to utilize traffic and convert it to sales. During the COVID-19 restrictions and the resultant low traffic, the situation reached a critical point with aged inventory beyond 180 days reaching 55% of Devlyn inventory in stores, leading to cash flow problems and delays in purchasing and replenishment of fast movers.

However, a cross-store sales analysis revealed that most of the slow movers were in fact not bad products, but actually stocked out fast movers in other stores. With limited cash available, the fast moving products were not being replenished frequently enough, and sometimes were being cannibalized instead by the introduction of new alternative products.

In order to break out of this situation, there was a need for a holistic execution approach to accelerate stores' sales with the existing inventory in the chain. Such a process should re-utilize stores' slow moving inventory to create sales in stores that need them, protect the availability of stores' fast movers, and at the same time maintain an attractive assortment in every store, based on its own customers' needs.

The Solution

Devlyn began the implementation of Onebeat's FLOW solution with OneBeat's Adaptive Assortment Management module, with the aim of releasing cash tied up in slow movers in stores and at the same time, improving availability of stores' fast movers:

- Local category tails (aged inventory in stores beyond 180 days) that are needed for sales in other stores are identified, phased out from the store assortment, and cross-shipped to the new location in frequent inter-store transfers within the same region / district.
- Emerging store fast movers in every category are identified and are set with a higher priority for replenishment.
- Store category assortment targets are monitored, and gaps are identified and highlighted for refreshment.
- Replenishment decisions are prioritized and executed based on SKU performance and store category assortment needs.

The above processes were stabilized and automated, and a dashboard with KPIs was implemented to track progress.

Results

During the first 6 months from initial Go Live, Devlyn increased the purchasing budget gradually, enabling fulfillment of inventory which was needed for its business. With the help of Onebeat's prioritized replenishment, refreshment and tail rotation processes, Devlyn could utilize its inventory to achieve significant improvement in store assortment and availability. The summary below details the quantifiable results over this 6-month period across the top 251 points of sale that were part of the pilot scope:

- As part of Onebeat's Tail Rotation, inventory aged beyond 180 days in stores (inventory on the shelf in stores more than 180 days without sales) was rotated to other stores, **resulting in 73% average sell-through in 6 months**. For reference, the first round of Tail Rotation resulted in 36% sell-through within the first 6 weeks.
- The share of **inventory aged beyond 90 days in stores was reduced by 26%** (from 67.4% to 49.9% of the overall inventory value in stores).
- **Top sellers' availability ("A Class" SKUs) in stores improved by 125%** (from 36% availability to 80% availability). At the same time, 2nd level fast movers' ("B Class SKUs") availability improved by 119% (from 30% availability to 66% availability).
- The share of **category shortages in stores was reduced by 64%** (from a shortage of 31.4% to only 11.3% of the overall category volume target).

In addition to the above measureable results, Devlyn also experienced an improvement in internal efficiency. **The time required for replenishment and transfer planning was reduced by 75%** (from 12 to only 3 hours!).

This time saving helped the business focus its technical capacity and human resources on value-add analyses and decision-making.

This efficiency improvement was mainly achieved by the following:

1. Information administration was simplified and business databases were consolidated.
2. Required algorithms and formulas were programmed in Onebeat to identify the SKUs to be transferred and replenished, and to select the best-selling SKUs and best-selling locations to maximize inventory benefits.
3. A clear and straightforward TOC methodology was implemented to manage inventory and allocate it according to a smart alignment.