

OPTIMIZE INVENTORY POLICIES TO INCREASE PROFIT AND MARKET SHARE

Most successful distribution organizations have already enacted serial improvement initiatives to decrease costs while preserving customer service. In many cases, additional cost reductions prove unsustainable due to requirements for significant manual planning efforts, expediting, risk of customer dissatisfaction or some combination thereof. To unleash the next level of improvement, robust optimization methods are required that consider a comprehensive set of parameters and costs across the enterprise utilizing techniques that cannot be emulated manually or in '2-dimensional' procedures like Excel or typical ERP rules-based procedures.

Since its inception over 40 years ago, GAINSystems has consistently focused on optimization-driven innovation in its solutions and management methods. Our product, GAINSTM (General Adaptive INventory Solution) is a direct result of that focus. GAINS is a leading edge planning and optimization solution that provides companies with dynamic, profit-optimized inventory policies and replenishment plans. Based on such profit optimized policies and plans, executives are able to document the following in addition to any improvements from prior initiatives:

- ▶ 20-30% decrease in working capital requirements
- ▶ 10-20% improvement in customer service levels and dramatic reduction in stockouts
- ▶ 5 - 10% growth in market share due to improved service levels
- ▶ 2-4% improvement in pre-tax profits

GAINSTM Distribution Success



One of the largest national dental supplies and dental equipment distributors in the United States.

- ▶ Inventory reduced 12% while Sales Increased 7%.
- ▶ 100% complete orders - taken from 94% to 96%.
- ▶ Expedited Shipments reduced to near zero.
- ▶ Grew market share nearly 10% due to increased Customer Service Levels

"By maintaining high customer service levels and lower inventories, GAINS helped us to grow revenues and profits in a down economy."

– Vice President, Marketing



International distributor of hardware and fasteners to Big Box Retailers and Regional and Local Hardware stores.

- ▶ 18% Reduction in Finished Goods Inventories.
- ▶ Increased complete order fill-rate (based on customer request date) from 96% to 98% total orders.
- ▶ Synchronized inventory policies and replenishment plans worldwide.
- ▶ Improved global inventory turns by 20%.

"Through GAINS inventory optimization support, we were able to reduce inventories and eliminate a warehouse while simultaneously increasing our turns and customer service levels. GAINS enabled us to achieve service levels with significantly less inventory than our ERP tool did."

– Vice President, Operations.

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Profit Optimizing the Distribution Chain



McNAUGHTON-McKAY
ELECTRIC COMPANY
YOUR ELECTRICAL CONNECTION

International Distributor of electrical and electronic parts, tools, and equipment serving North America and Europe

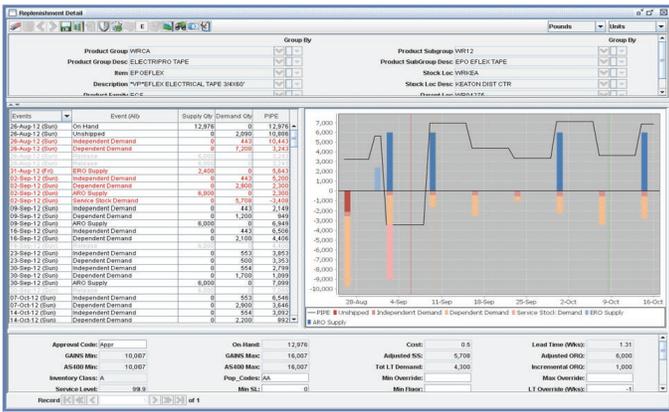
Because of GAINS' ability to dynamically identify and manage total error, in real time, and then adjust policies and plans to meet targeted customer service levels accordingly, we have seen our inventory investment stay constant even as our Fill Rates and Sales increase – GAINS has definitely helped us reduce our safety stock!

– Vice President, Operations

Examples of GAINS™ Distribution Optimization Capabilities

Demand and Supply Analyzed Continuously GAINS is capable of assessing the significance of demand or supply changes in near real time. It dynamically determines which changes have a material impact on the company's ability to achieve targeted customer service levels for each and every order. Where stock-out or surplus is likely, GAINS dynamically suggests revised inventory policies and/or replenishment plans that ensure customer service levels are achieved at the lowest total cost.

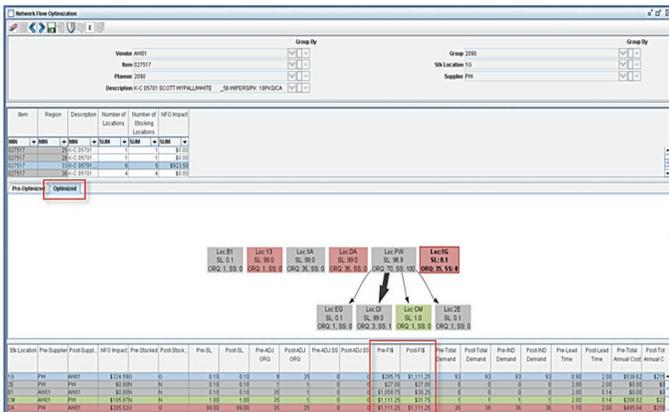
Optimized Replenishment Detail Screen



Item Deployment Optimization

GAINS dynamically determines where each item/SKU should be stocked, at what Service Level, and the quantity to stock to ensure that maximum profit (minimum cost) is achieved considering a comprehensive set of costs (e.g., transportation costs, handling costs, holding costs, lost line margin, lost order margin, expediting costs, etc.).

Network Flow Optimization Screen



Dynamic Inventory Re-distribution and Alternative Supply Planning GAINS dynamically analyzes the impact on targeted Customer Service Levels of every potential change in demand or supply for every customer order. If GAINS identifies a change that will negatively impact on-time delivery of an order, it will evaluate the costs and risks of multiple supply scenarios to ensure the targeted service level is sustained. This includes such tactics as SKU re-distribution from another location, cross docking a standard replenishment directly to the impacted location, expediting, 'filling-in' availability gaps from an alternative vendor, utilizing surplus substitute product, etc.

Optimization Capabilities Only GAINS Provides

- 1. Dynamic Forecast Model Selection** that tests for plausibility and accuracy to provide an objective demand plan baseline and eliminate as much human bias as possible.
- 2. Dynamic Analysis of Supply and Demand for every SKUL** (SKU by Location) across the enterprise that considers all error sources including the variability in supply and user variance from plan. Only through this comprehensive approach can precise Service Level attainment be achieved (most alternative approaches overshoot for most items and undershoot for some leading to excess costs). The goal is to attain exactly the cost-minimizing or profit-maximizing Service Level, not more or less.
- 3. Profit-Optimized Inventory Policies** (e.g., Replenishment Order Sizing and Safety/Service Stock) calculated at the SKUL level, considering total annual cost, comprehensive error, targeted customer service levels, and all relevant dependencies and constraints.
- 4. Leading Indicator, Extrinsic Variable, and Viability Analysis** to ensure forecasts and plans are not just a "look in the rear view mirror."
- 5. Real-time simulation** to support both GAINS internal scenario analysis as well as to give executives the ability to simulate scenarios for both tactical and strategic initiatives including Stocking Policy (what to stock where) and Network Flow Optimization (how best to provision it).
- 6. Automated and optimized replenishment** planning that determines the profit and service level optimum source for each replenishment (parent location, primary vendor, surplus location, alternate vendor, substitute, etc.). Purchase constraints and opportunities (e.g., bulk buy discounts or rebates) are dynamically analyzed in the generation of specific orders to meet or fulfill these parameters at least total annual cost given targeted customer service levels.

To learn more how GAINS can Profit Optimize your supply chain - Visit our website: www.GAINSystems.com, or Email us: ProfitOptimize@GAINSystems.com

GAINSystems, Inc.
1200 North Ashland Avenue • Suite 300 • Chicago, IL 60622
www.GAINSystems.com