



HOBSON & COMPANY

Driving ROI

**The Business Case for a Proven
Supply Chain Management Solution
for Wholesale Distributors**



Wholesale distributors are constantly challenged when trying to improve profit margins. They often find themselves squeezed between increasing cost pressures from suppliers – with 90% of respondents in a recent survey of supply industry leaders observing rising costs on the front end, when purchasing goods to sell¹ – while also being unable to pass on additional costs to consumers. Increasing forecasting accuracy to optimize inventory levels is a key way in which costs can be streamlined, but this can be very difficult to do when managing supply chain planning with less sophisticated, spreadsheet-based processes, or inadequate ERP supply chain planning modules.

Traditional solutions were not designed to keep up with increasingly unpredictable consumer behavior and complex patterns of customer demand. As a result, organizations often increase inventory levels to protect against greater variability in demand. While this does help to ensure service levels can be met, it also leads to increased inventory purchasing and carrying costs. Traditional forecasting and planning processes can be very time consuming as well, requiring significant resources to manage, driving increased operational costs.

Hobson & Company, a research firm focused on Return on Investment (ROI) studies, worked with Blue Ridge to explore these challenges. They conducted 14 in-depth interviews with existing Blue Ridge customers, testing and confirming the sources of value generated by the Blue Ridge solutions: Demand Planning; Replenishment; and Integrated Business Planning (IBP). Customers found Blue Ridge addressed their challenges and delivered measurable results and a strong return on investment. The goal of this whitepaper is to highlight examples of operational and business benefits that can be realized with a comprehensive supply chain management solution.

Customers generated an average 3-Year ROI of:

488%

Based on this analysis, a sample distributor with \$500M/year in sales revenue, \$75M/year in inventory, of which 30% is overstock, and requiring seven full-time planners and purchasers to manage supply chain planning, would see positive cash flows from using the Blue Ridge Supply Chain Management solutions in 1.8 months, and generate an ROI of 488% and a total value of \$7.5M in three years.

1. The State of the Supply Chain Industry, 2022. Blue Ridge & SmartBrief



Supply Chain Management Challenges

Improving service levels

Legacy forecasting processes are often spreadsheet driven, with limited time frames and a lack of visibility into key supply and demand data, leading to poor fill rates and low customer satisfaction. These processes often lack sophistication in their analytical capabilities and only utilize historical operational data from ERP systems, with no single solution for planning across growing SKU categories. The result can be an inability to adapt plans on the fly, in response to issues such as supplier variability, changing lead times, cost constraints, and buying schedules, leading to lost sales. Customers interviewed confirmed that these were challenges they experienced when using more manual forecasting processes, which could cost them 1-2% or more in lost sales revenue.

Reducing time spent on supply chain management

When demand forecasting efforts, including new items, identification of seasonality, and other demand variability across the entire mix, are managed via spreadsheets or less sophisticated solutions, the time required can be extensive, and true demand can be difficult to forecast. This can result in buyers losing time each day just on placing orders, and then often correcting orders, to ensure sufficient stock. Managing inventory across multiple locations can also require significant people hours and complex planning. Customers reported needing anywhere from 1-20+ full-time staff for demand planning and purchasing when managing with more manual, spreadsheet-based processes.

Reducing inventory spending and overstock

When using less sophisticated forecasting solutions, it can be very difficult to accurately predict customer demand, and to keep up with increasingly unpredictable consumer behavior. This can result in increased safety stocks, to protect against greater variability in demand, and in overstock. Some customers reported overstock of 30% or more pre-Blue Ridge. Manual processes also make it difficult to see across locations, leading to too much inventory in one location and not enough in another. This could add to inventory costs, as the result is often duplicate inventory across locations, and to transportation costs, if inventory has to be moved between locations. When purchasing is managed manually it can also limit the amount of flexibility available to take advantage of opportunities to buy more cost-effectively, adding to inventory costs as well.

Customer research identified benefits of the Blue Ridge Supply Chain Management solutions in three key areas:

Reducing Lost Sales to Increase Revenue

Decreasing Operational Costs to Reduce Expenses

Decreasing Inventory Costs to Reduce Expenses



Reducing Lost Sales to Increase Revenue

Improve service levels, reducing lost sales

Accurate forecasting is key to ensuring product is in stock to meet customer demand. The Blue Ridge Demand Planning solution handles product life cycle changes (new product introductions/end of life products), promotional events and seasonal patterns, using statistical and machine learning techniques. The IBP solution enables collaborative planning efforts involving Sales and Marketing, to capture demand signals from the field. This process further enhances accuracy of the final forecast; minimizing lost sales and meeting service levels.

“Blue Ridge was a key piece of helping us increase our service levels by two percentage points, resulting in fewer lost sales.”

- VP, Supply Chain

Customers interviewed reported:

2.0%

INCREASE in sales revenues due to improved service levels



Decreasing Operational Costs to Reduce Expenses

Reduce time spent on supply chain demand planning

The Blue Ridge Demand Planning solution automates demand forecasting efforts. Powerful machine learning trends and algorithms auto-classify and auto-select the best forecast model for each SKU, adjust forecasts automatically, and continuously improve forecast accuracy to consider all types of demand behavior.

“With Blue Ridge we reduced the time spent on supply chain demand planning and purchasing tasks by 25-50%.”

- CEO

Customers interviewed reported:

40%

REDUCTION in time spent on supply chain demand planning

Customers interviewed reported:

50%

REDUCTION in time spent managing purchasing, order build, and transfers

Reduce time on purchasing, order build, and managing transfers

Building orders accurately, considering factors such as forecast, lead times, safety stock, and item and order requirements, is very time-consuming. Blue Ridge Replenishment automates all order building tasks and highlights actionable items via exceptions/alerts. It precisely calculates daily need for inventory across the supply chain network, and is the smartest and most economical way to foresee and execute on demand across locations and channels.

“We were able to reduce the purchasing resources needed by 70% with the move to Blue Ridge.”

- SVP, Supply Chain Planning

Reduce time spent on S&OP input, prep, and meetings

Data collection and reporting for S&OP is time-consuming, labor intensive and error-prone. Blue Ridge IBP provides a unified, app-like simplicity that breaks down walls to deliver a truly agile and collaborative planning experience in the cloud, to align demand, supply, revenue, and financial plans, and craft one consensus operational plan.

“IBP reduced the time spent by the functions on S&OP prep and input, including saving the Product Managers a full day per month, per Product Manager.”

- VP, Supply Chain

Customers interviewed reported:

30%

REDUCTION in time spent on S&OP input, prep, and meetings

Decreasing Inventory Costs to Reduce Expenses

Reduce inventory overstock / one-time inventory correction

Predicting forecasts accurately, considering seasonal patterns, trends, life cycle changes and promotional events, is a key prerequisite to reducing inventory while maintaining service levels. Blue Ridge Demand Planning provides powerful machine learning to improve forecast accuracy, while Replenishment software optimizes inventory across locations and creates the most economical orders across the portfolio by Supplier. The IBP solution enables collaborative planning efforts with Sales, Marketing, and Supply Chain Planning, further enhancing accuracy of the final forecast.

"We've been able to reduce overstock rates by almost 30% since moving to Blue Ridge."
- Logistics Manager

Customers interviewed reported:

20%

REDUCTION in overstock inventory / one-time inventory correction

Customers interviewed reported:
2.0%
REDUCTION in annual inventory purchasing and carrying costs

Reduce annual inventory purchase costs and carrying costs

Blue Ridge makes it easy to model, select and execute scenarios to achieve the best financial outcome. With the ability to analyze cost-of-service trade-offs of decisions before they're made, with clear visibility into strategic investments, spend and profit opportunities. Replenishment software offers demand planners and purchasers an optimal course of action to manage purchase orders, lead times, and inventory levels. The IBP solution also enables better trend prediction, and better responsiveness to shifts in market conditions.

"We reduced inventory costs by about 3%, and are now operating with lower working inventory levels, and using money that otherwise would have been used to buy inventory somewhere else instead."
- VP, Supply Chain

Reduce transportation costs associated with transfers

Blue Ridge Replenishment software precisely calculates the daily inventory needs at customer-facing lower echelons based on both customer demand and unique configurations of a company's own supply chain, to deliver a prediction that results in the most precise and cost-effective allocation of inventory.

"We were able to reduce transportation costs, with fewer trucks/transfers between locations and fewer costly rush deliveries, post-Blue Ridge."
- Logistics Manager

Customers interviewed reported:

40%

REDUCTION in monthly transfer transportation costs

Key Findings



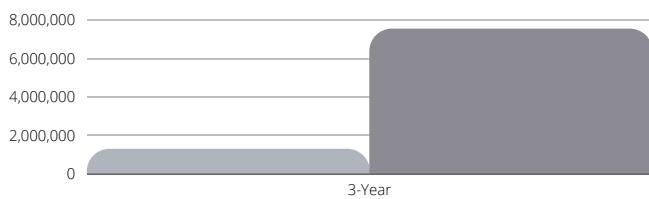
Research Results

The value of a comprehensive supply chain management solution is immediate and demonstrable. Using a sample distributor moving from more manual/spreadsheet-based processes, with the following inputs (pre-Blue Ridge):

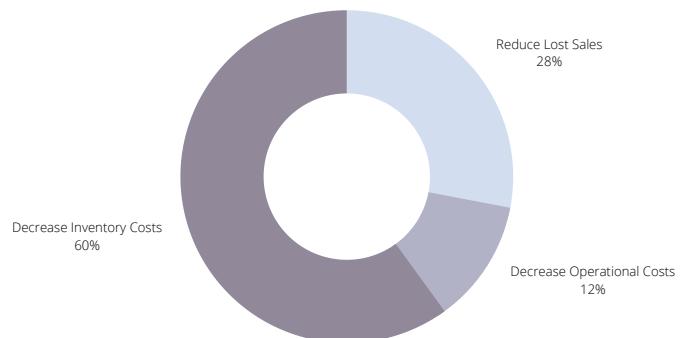
- An average of \$500M in annual sales revenues
- \$75M in inventory purchase costs per year, with carrying costs averaging 25% of this total
- 30% of inventory that is overstock
- One full-time demand planner and six full-time buyers
- About 70 hours/month spent on S&OP across functions
- \$25K/month spent in transportation costs for transfers

A three year investment of \$1.28M in total for the Blue Ridge products (Demand Planning, Replenishment, and IBP) generates positive cash flows in 1.8 months. The three-year total value created and return on investment are strong at \$7.5M and 488%, respectively.

Investment vs. Return



Benefits by Business Objective





About Blue Ridge

Achieving a resilient supply chain sits at the intersection of demand, price, and inventory – where a company’s customers, suppliers, and operations meet. The Blue Ridge cloud-native planning and pricing platform gives distributors, retailers, and manufacturers simplicity that uniquely integrates data science-rich inventory forecasting capabilities with price insights. From modeling, right-sizing inventory, and seamless collaboration, Blue Ridge bases its success on an increase in customer profitability and service levels. Learn more at <https://blueridgeglobal.com>.

About Hobson & Company

Hobson & Company helps technology vendors and purchasers uncover, quantify and validate the key sources of value driving the adoption of new and emerging technologies. Our focus on robust validation has helped many technology purchasers more objectively evaluate the underlying business case of a new technology, while better understanding which vendors best deliver against the key value drivers. Our well researched, yet easy to use ROI and TCO tools have also helped many technology companies better position and justify their unique value proposition. For additional information, please visit www.hobsonco.com.

Disclaimer:

The return-on-investment (ROI) and other financial calculations expressed in this paper are based on data provided by Blue Ridge customers and various assumptions, and provide estimates only. The actual ROI realized by customers may vary from the estimates provided. Blue Ridge offers this paper to assist customers with evaluating their supply chain management solutions; however, Blue Ridge and Hobson & Company (the firm that created the tool) are not responsible for the accuracy of any estimates.

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