

CASE STUDY

Starkey reduces inventory levels by 20% and improves its fill rate in three months

NETSTOCK



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|-----------------|--------------------------|-----------------|--------|
| Company | Starkey | Location | USA |
| Industry | Distribution, technology | ERP | Oracle |

\ Challenge.

Improve fill rate, reduce inventory and streamline procurement, and distribution processes.

\ Solution.

Invested in Netstock to implement a sales & operations plan.

\ Result.

Reduced inventory levels by 20% and increased fill rate by 2%.

Soon after implementing Netstock, Starkey quickly achieved outstanding results. After three months, they reduced their inventory levels by 20% and increased the fill rate by 2%.

Starkey is a privately held, global hearing technology company headquartered in Minnesota. Founded by Bill Austin in 1967, Starkey is known for its innovative design, development, and distribution of comprehensive digital hearing systems. The company conducts business in more than 100 markets worldwide.

Starkey decided to implement sales and operations planning just before the COVID-19 pandemic. They couldn't have known the pandemic's impact on the economy nor how it would shake consumer demand only two years later. They were still committed to improving customer fill rates and inventory turnover without knowing the looming challenges.

The selection process

Starkey had a new materials management team, and key team members had previous experience with Netstock. After a brief review of alternatives, they decided to integrate Netstock with their Oracle ERP system.

“We considered several other options, but none of them seemed to offer the value and flexibility of the Demand Works solution,” said Patricio Espinosa, Starkey’s VP of Manufacturing and Supply Chain.

The initial implementation

Starkey’s main goals for the project were to:

- Improve fulfillment rates
- Reduce inventories
- Streamline procurement and distribution processes.

The main priority was to improve fulfillment rates. The team started working on the weekly statistical forecasts, optimizing safety stock, and replenishment planning for their 50,000 finished goods. With the enhanced visibility from Netstock, they identified inventory reduction and balancing opportunities within weeks.

In a parallel effort, the team improved demand signal communications with production, replacing manually prepared weekly inventory and order summaries with time-phased schedules based on seasonal demand plans, current inventories, and orders.

Improved communications, forecasting, and inventory level-setting resulted in a significant improvement in fill rate and inventory turns.

In three months, they achieved a 20% reduction in inventories while simultaneously achieving a 2% improvement in fulfillment rates.

The master production schedule [MPS] attainment increased by over 97% across all production areas, where previously there had been significant variation in production attainment, with some low performing areas.

“The visual nature of Netstock made it easy to explain and communicate demand and inventory management policies and concepts to the entire organization,” says Mike McMullen, Starkey’s Director of Global Materials & Inventory. “We gave read-only access to several key stakeholders, and they were able to use it with minimal training. As a result, we were able to improve coordination of distribution requirements and production plans while eliminating the time that was previously wasted by preparing and distributing spreadsheets.”

Starkey reduces production delays with Netstock Next, Starkey’s management integrated the Netstock master production schedule with Oracle’s MRP, using it to drive material requirements which resulted in significant improvements to:

- raw material
- inventory turnover
- fulfillment
- schedule attainment

“The improvements in raw material inventory management resulted in fewer production delays and further improvements in production attainment and customer order fulfillment,” says McMullen.

As an extension to the integration of the Netstock MPS with MRP, Starkey's then implemented a supplier portal using Netstock, providing visibility to time-phased weekly purchased material requirements. The portal included over 60,000 items with forward-looking plans spanning two years of history and one year of weekly forecasts. Key vendors were allowed access, and vendors received automated summary reports. Starkey improves internal team collaboration between sales and marketing.

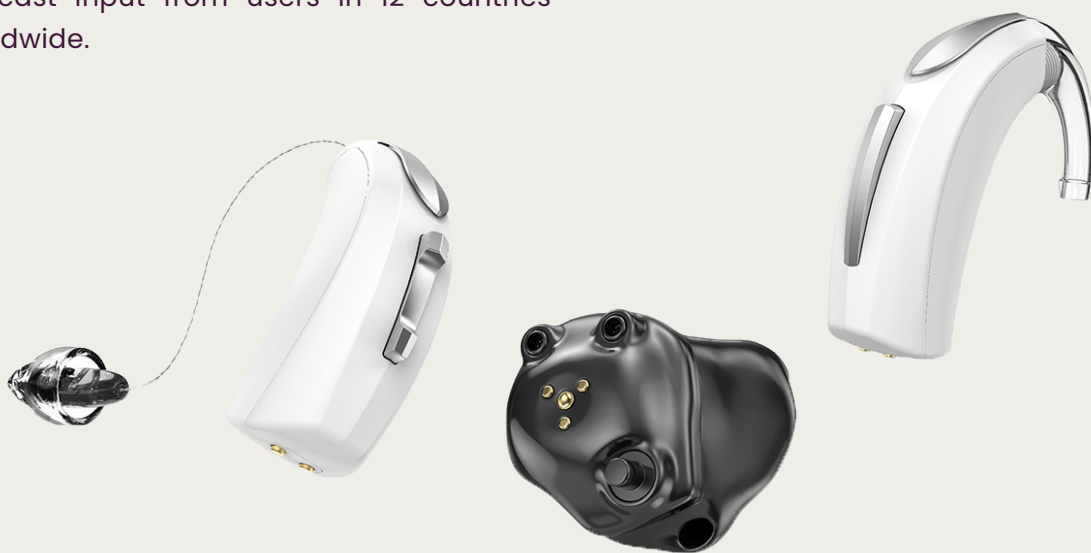
Starkey successfully implemented:

- A monthly S&OP model for reviews and input from sales and marketing plans by region and segment.
- A formalized demand review process.
- A monthly reporting of forecast variability and bias.
- The S&OP model globally, receiving monthly forecast input from users in 12 countries worldwide.

"The model was the cornerstone of a new formalized monthly demand review process, and it helped sharpen our ability to plan for promotions, product cannibalizations, trends, and exceptions," says McMullen.

Success beyond the pandemic

When the global COVID-19 crisis hit in 2020, it caused significant changes in both demand and supply. "The planning systems changes we made with Netstock and integrating with Oracle have enabled the business to be super flexible during these turbulent times. I can't imagine the pandemic hitting us before when all planning was offline and disconnected. We've been able to completely re-plan our entire supply chain so quickly, and our incoming supply chain and inventories were well-positioned going into it, helping us to stay strong!"



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