Major Multi-Line Beverage Wholesaler Gets Better with 'Age'

When Milt Odom began selling bourbon, liquor, coffee, tea, meats and candy in Anchorage in 1933, he probably didn't even imagine that the company he created—that still bears his name—would one day be the premier beverage wholesaler in the Pacific Northwest and one of the largest privately held companies in the area. Today, Bellevue, WA-based Odom Corporation stocks 9,800 SKUs from 480 suppliers across 7 major warehouses. Through an aggressive pursuit of acquisitions, coupled with organic growth, Odom now offers its customers some of the most popular beer, wine, spirits, soft drink and liquor brands available in its markets of Alaska, Washington, Oregon, Idaho, Montana, Utah and Wyoming.

Nor could have Mr. Odom likely have imagined the inventory management and supply chain planning issues that his company's prolific growth would create for his legacy company now run by his three sons and current owners—John, Jim and Bill—since 1988.

Several Strategic Objectives

At the beginning of 2010, Odom's management team established several strategic objectives designed to improve the efficiency of its sales planning and operations groups. First and foremost, it wanted to optimize inventory levels without negatively impacting out-of-stocks, and at the same time reduce expired product losses as well as the amount of product sold at or below cost in closeouts. Another goal was to maintain inventory turns at 8-15 turns per year, depending on product type. And finally, the company set its sights on achieving and maintaining target days of supply for certain major suppliers at 21.

Complete Visibility of Inventory

To optimize inventory levels and reduce out-of-dates and expired product losses, management knew it had to have complete visibility of inventory, at the item-level, at each of its locations. Odom's VP of

Inventory Management Goals:

- Optimize inventory levels without negatively impacting out-of-stocks
- Reduce expired product losses
- Reduce amount of product sold at or below cost in closeouts
- Maintain inventory turns at 8-15 per yr.
- Maintain target days of supply for major suppliers at 21 days
- Gain visibility of inventory down to item level

Solution:

Implemented Salient's Margin Minder® and Salient's added value consulting services to optimize inventory, improve performance, and track the effects in key sales measures. Integrated aging data from Odom's Warehouse Management System, with inventory, purchasing, forecasting from System 21 package.

Results within 6 months:

- Reduced days-on-hand inventory from 54.5 to 47.9
- Lowered inventory carrying costs by $4 Million
- Improved cash flow by freeing up idle inventory dollars
- Reduced aged inventory of beer over 365 days from $354,000 to $71,000
- Added several new suppliers
- Impacted bottom line by $750,000

Planning and Analysis, Dennis Angrisani, explained, "We also have to see both the inventory age of the product as well as how much time we have to take action before that product goes out of date."

Odom selected Salient Management Company based in Horseheads, NY to help provide this high level of visibility by integrating and easily presenting all of the company's data. With the help of a fast, easy-to-use tool—Salient's Margin Minder®— Odom could improve inventory performance, analyze inventory trends over time and grasp the relationships among key sales measures.

"Everybody is singing from the same hymn book— it's the old adage of 'one version of the truth'"

The Salient solution integrates the aging data from Odom's Warehouse Management System (WMS) with the inventory, purchasing and forecasting data from its System 21 package. "Salient brought it all together in one cohesive view consistent with the way we run the business," notes Angrisani. "Our prior inventory reports did not have drill down capability to the heart of these issues. With the advent of this aged inventory cube we can now look at days-on-hand by product, supplier, brand or SKU in conjunction with our sales item forecasting. Every morning, I have drillable information about days-on-hand." That's a giant leap forward from the days of spread sheet reports with details only down to level 1 product dimensionality: the general type of product (beer, soda, wine, spirits, etc.).

Full Drill Down Capabilities

"We didn't have the ability to ask questions about the supplier, the brand, the SKU, the package," Angrisani continues. "The [Salient] inventory cube not only has information across all of our dimensions of product and all parts of our organization, including the stockroom and sales center, we can also focus on exactly where we are long or short. We can look across our inventory agings just like our receivables agings. We have full drill down capabilities."

"Salient brought it all together in one cohesive view consistent with the way we run the business."

Used across the enterprise:

- Brand Managers
- Financial Department
- Purchasing Team
- Warehouse Operations

Odom lowered inventory carrying costs by $4 million.

The Salient solution has "full visibility and full support throughout the organization," says Angrisani.

SALIENT® MANAGEMENT COMPANY

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Lowered Inventory Carrying Costs by $4 Million

In the six months following the implementation of the Salient inventory cube, Odom reduced the days-on-hand inventory in its wine and liquor business from 54.5 days to 47.9, lowering its inventory carrying costs by $4 million. "The overall goal of this project was to make sure we have the right inventory at the right time. That's not always doable in the fine wine business, when you are dealing with a boutique wine from a boutique winery and have to purchase their entire annual production," says Angrisani. "But the lion's share of our portfolio is not fine wine and it can be purchased more just-in-time, and that's what we're seeing in this inventory reduction."

"Physically, this aged inventory cube and related reduction of inventory has created space availability for expansion"

In its beer business, where marquee labels include Miller, Coors and Heineken, Odom has reduced the aged inventory over 365 days from $354,000 to $71,000. "What good is beer that you've had for a year? This stuff is perishable. With the Salient cube we can see what we've had for more than 365 days, +272, +181, +90 days. We're able to see the aging of our inventory, which heads off outdated product. We are using this not only to manage our days-on-hand, but the age of the inventory as well." This newfound data visibility also enables Odom managers to quickly identify and correct data capture errors affecting aging, and bring even more precision to the Salient inventory management solution.

"Everybody is Singing From the Same Hymn Book"

The Salient inventory management tool is used primarily by Odom's Brand Managers in conjunction with the finance, warehouse operations and purchasing teams. With Salient, "Everybody is singing from the same hymn book—it's the old adage of 'one version of the truth,'" Angrisani points out. But the "brand guys are really the puppeteers of our business." They also use the Salient sales cube so "they have the best of both worlds. Once a month we have a leadership meeting with senior management to talk about the progress, so this process has full visibility and full support throughout the organization."

Odom Corporation:

- Created in Anchorage, AK 1933; now based in Bellevue, WA
- Premier Pacific Northwest beverage wholesaler
- 9,800 SKUs ; 480 suppliers
- 7 warehouses
- Beer, wine, spirits, liquor, soft drinks
- Territory includes AK, WA, OR, ID, MT, UT, WY

"The [Salient] inventory cube not only has information across all of our dimensions of product and all parts of our organization, including the stockroom and sales center, we can also focus on exactly where we are long or short. We can look across our inventory agings just like our receivables agings. We have full drill down capabilities."

Dennis Angrisani
VP of Planning and Analysis, Odom

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New Space for Expansion

Despite the sluggish economy Odom has added several new suppliers over the last four months, all major brands and industry leaders, without adding any warehouse space—an accomplishment due in no small part to the Salient solution. "Without this inventory cube we would not have had room in some of our seven major warehouses to take on these new suppliers," says Angrisani. "So physically, this aged inventory cube and related reduction of inventory has created space availability for expansion that we could otherwise not have accommodated. We probably had a $750,000 impact in six months on our bottom line, not to mention the cash flow impact of freeing up idle inventory dollars. If you can convert idle inventory to cash you have a huge benefit."

Odom stocks 9,800 SKUs from 480 suppliers across 7 major warehouses.

The logical progression for the inventory management system is SKU rationalization, which Angrisani has in his crosshairs for 2012. "Now we can look at every one of our 9,800 SKUs, but without the ability to spin and aggregate the data, SKU rationalization would be unmanageable," he says. "The issues exist at the SKU level; they do not exist at the supplier level. And it works both ways: we have too much; we don't have enough. Now we have an early warning sign for the latter. If we're forecasting to sell 500 cases of a particular SKU this month and we only have 125 in stock – we know our purchasing department has got to get to work. It's not always about reduction. Some of it is heading off issues of out of stocks."

"Salient Made it Happen for Odom"

According to Angrisani, Salient came to the table with many great concepts, but where the solution really excelled "was converting the concepts into a usable tool. I don't think we could have done that without Salient's consulting service. They also helped us find source data. It's great to have a concept, but the real win is sourcing the data from our legacy systems and identifying the way the data is going to work with each other. Salient made it happen for Odom."