Research Reports
Articles

VECTOR
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DE-STRESS TO DELIVER

Who creates slow movers?

by **Vector Consulting Group**

I have met over 6000 distributors and scores of executives and managers of distribution led companies selling things as diverse as soap, shampoo, diapers, hair dyes, commercial vehicle parts, lubricants for cars and two wheelers, hand tools (screw drivers, files etc.), textile, shoes, paper, edible oil, rice, steel and what have you.

Though every industry believes very strongly that they are "different" and their challenges are unique, when I look at back at my discussions with them, I find a lot of common themes.

One of the biggest bug bears of these people is the problem of "slow movers" and how they all have tried with this problem all through their working lives, so much so that eventually all these slow movers are phased out in what is politely called "strategic product portfolio rationalisation"
If you are even remotely associated with the distribution environment, you would know the perennial problem and I would like to tickle your thinking for a moment.

Let me pose a riddle to you: A company deals with two products A and B. A sells about 50 units a week and B sells about 250 units a week.

Which one is a slow mover and which one is a fast mover? Think for a moment and fix your answer before you read on further.

I get a response from some people that A is a slow mover and B is a fast mover.

Now let me tell you that based on the information that I have given you, it is not possible to find out which one a slow mover and which one is a fast mover!

The missing information is this: The stocks lying of A are about 50 units and that of B are 1000 units.

Now tell me which one is a slow mover?

Obviously B!

Why does the picture change?

Does it hurt that A is selling "only" 50 units a week? (Maybe the market is only that big) Would you kill product B because it a slow mover?

Let us admit, for any distributor or company the sales of 50 units a week are not worrying (as long as the gross contribution (or Throughput as I call it) is positive. What hurts them is that every day they see the large stocks (or MIS reports, depending whether you are the distributor or the lucky company executive sitting in the cushy office) of B.

So how do you convert the slow mover to a fast mover?

The so called slow movers were self created as inventory supply was more than the rate of sales for that product. If we create slow movers, we can prevent it too. Everything can be a fast mover if the sales to stock ratio (also known as inventory turns) are high for each of the product.

The question now is why is this simple logic not in place in most companies? It is because inventory movement is not based on pull but on a push mode. If inventory is on a push mode, we will end up with some SKUs with very high stocks (as compared to sales rate) and while in others it will be too low.

We can achieve the utopia of all SKUs having very high sales to stock ratio, only when we have a pull system or in other words a rapid replenishment system, capable to reacting to fluctuating demand pattern in very short horizons. The system should have an in-built auto locking mechanism, which adjusts or stops inventory supply when demand drops for an SKU. The theory of constraints, replenishment solution helps align the rate of flow of inventory in entire supply chain with rate of actual demand at the last point of sales.

Now I can hear "this is all theory"!

I agree this is a theory and a very sound one. By the way do you know that for a hypothesis to be called a theory, it has to repeatedly clear the specially designed tests of failure? This means that nothing is actually more practical than a good theory.

I have digressed to a different topic. But let me re-verbalise the reservation based on my experience of interaction with many sales and distribution managers
1. "We cannot hope to implement a pull system, because our sales will take a hit"
2. Is it applicable in my industry?
3. Has it been done anywhere in India?

The first one opens up discussions on another paradigm shift. The MORE one pushes, the LESS one sells. You cannot believe this new paradigm?

What if I prove it to you?

I need to describe new paradigm in more details and also deal with the other two reservations. I would suggest you read the article "100% availability with lower inventory" to understand the full solution.