

DAFA's inventory management freed up 20%

of capital tied up in stock

Danish wholesaler and manufacturer DAFA aims to increase both revenues and earnings capacity. The first step of the journey was to introduce inventory management based on ABC analyses. A group of managers are now seeking constantly to identify more business optimization opportunities.

Once a month a group of managers challenge each other to find ways of optimizing DAFA's business. Figures from ABC Analyzer prepared by business controller Pernille Sehested form the basis for each group meeting.

"We invited the product manager to our latest meeting. We had several products in our intermediate stocks, but our analyses showed that this made no sense: We should only produce to order. So we're now actively focusing on changing this," explains Pernille Sehested.



Inventory management was the key

Inventory management was the key when DAFA started using ABC analyses a year ago. The company wanted to grow and also considered reducing costs.

The first step on the journey was data-driven inventory management.

The goal was to increase the stock turnover ratio to 8 and maintain delivery reliability, and the company achieved both.

Wood strips: in or out?

During the start-up phase, the new, hard facts turned up some surprises:

"Before starting the project, we considered wood strips a secondary product group that we could withdraw from our range. However, they proved to be an AA product with a high contribution margin," says Pernille Sehested.

Every single day brings new optimization. Purchasers now use the ABC categories in negotiations and can specifically prioritize bulk discounts or delivery time and delivery reliability to give AA products, for example, a better lead time.

What did DAFA do?



Goal:

Profitable growth: Increase revenues, reduce costs and maintain the high level of delivery reliability.

Solution:

New daily routines where data and optimization are in focus. Monthly management meetings ensure progress. Projects planned with manageable "sprints", clear goals and ongoing follow-up.

Result:

In less than a year DAFA has:

- Increased its stock turnover ratio from 6.8 to 8
- Reduced stocks by 20%
- Maintained 98% delivery reliability

DAFA is now focusing on shaving its minimum stock of C products, which could well be special order items.

About DAFA

DAFA is a family-owned wholesale and production company with 130 employees at its headquarters in Århus and associate companies in Germany, Sweden and China. DAFA is a supplier to the construction sector and industry, and its range includes all types of sealing and proofing products: Strips, sealing strips, foam, etc.



Pernille Sehested is a business controller at the company headquarters in Århus and headed the implementation of the ABC Analyzer project.
www.dafa.dk

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