

Schnuck's Market Automatic Replenishment (ARP) System

Some of the more effective efforts at projecting demand levels have involved relationships in which sellers replenish or restock inventory based on the actual product usage and stock level information provided by buyers like Schnuck's Market. Their inventory systems have been referred to as automatic replenishment systems, or ARPs. Schnuck's ARPs are designed to make inventory commitment more efficient through precise planning and replenishment practices. Ideally, minimal stock levels are maintained without jeopardizing service levels.

Automatic replenishment is most often associated with retail level inventory practices; Schnuck credits its automatic replenishment program for permitting significant reductions in inventory holdings. Standard demand forecasting was dramatically improved by working with actual sales data. However, the retailer still encountered stock out problems on promotional items. Their solution has been to increase automatic replenishment commitment by extending involvement to Collaborative Planning, Forecasting, and Replenishment (CPFR), which is expected to better forecast "big spikes in demand" due to their promotions.

Companies can learn from this example, and implement ARPs to trigger replenishment from manufacturers. In addition to the outbound connection with retailers or wholesalers, Companies can use the systems to manage inbound inventory replenishment from their suppliers.

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