Kormotech is a Ukrainian company that produces high-quality pet food under its own brands and private label. Launched in 2003 in Lviv (Ukraine), the company is striving to enter the top 50 global industry leaders.
high-tech manufacturing facility for dry and wet pet food that meets European standards (HACCP)

The company export its products to 18 countries worldwide

The warehouse area is 5700 square meters, with 4000 palettes inside

Kormotech is in Top-50 pet food companies in Europe

Market Leader in creating highest quality pet products in Ukraine (volume of sales, 2016)

500 employees, 386 out of which are pet owners

43 000 tons CAPACITY IS 13 000 TONS OF WET AND 30 000 TONS OF DRY PET FOOD PER ANNUM
Kormotech’s Supply Chain

- Raw materials & Packaging
- Wet Pet foods production
- Dry Pet foods production
- Central DC
- Region 1
- Region 2
- Region 3
- Region 28
- Region 29
- Region 30
Demand Driven Material Requirements Planning

<table>
<thead>
<tr>
<th>Strategic Inventory Positioning</th>
<th>Buffer Profiles and Levels</th>
<th>Dynamic Adjustments</th>
<th>Demand Driven Planning</th>
<th>Visible and Collaborative Execution</th>
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</thead>
<tbody>
<tr>
<td>Position</td>
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<td>Pull</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
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</table>
Step 1. Strategic inventory positioning

First step was to position inventory in raw materials and finished goods level, just the way they were before Demand Driven.

Second step - positioning on product structure level: Reliability, Lead Times and cost optimization.

Real life example on one SKU

Before:
- Lead Time: 17 days
- Inventory value: 108,000 in local currency

After:
- Lead Time: 8 days
- Inventory value: 74,000 in local currency

One of every day results:
- 9 days or 50% Lead Time reduction
- 29,000 (108 - 74 - 5) or more than 25% working capital reduction

ALL Without compromise!
Demand Driven Material Requirements Planning

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Strategic Inventory Positioning
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DDMRP
Supply Chain

Buffer Profiles and Levels

SKU’s Buffer Profile segmentation on raw materials and packaging are broad mainly because of a variety of supplier’s Lead Times.

<table>
<thead>
<tr>
<th>SKU</th>
<th>Buffer Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>b11</td>
<td>3.65%</td>
</tr>
<tr>
<td>b12</td>
<td>9.59%</td>
</tr>
<tr>
<td>b13</td>
<td>18.57%</td>
</tr>
<tr>
<td>b21</td>
<td>8.68%</td>
</tr>
<tr>
<td>b22</td>
<td>10.20%</td>
</tr>
<tr>
<td>b23</td>
<td>15.68%</td>
</tr>
<tr>
<td>B31</td>
<td>4.41%</td>
</tr>
<tr>
<td>b32</td>
<td>13.24%</td>
</tr>
<tr>
<td>b33</td>
<td>12.94%</td>
</tr>
<tr>
<td>LTM</td>
<td>3%</td>
</tr>
</tbody>
</table>

SKU’s Buffer profile segmentation on Intermediates (most of them are LTM) and Finish good levels are more unified.

<table>
<thead>
<tr>
<th>SKU Segment</th>
<th>Buffer Level</th>
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<tr>
<td>LTM</td>
<td>41%</td>
</tr>
<tr>
<td>M11</td>
<td>13%</td>
</tr>
<tr>
<td>M12</td>
<td>26%</td>
</tr>
<tr>
<td>M13</td>
<td>20%</td>
</tr>
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Dynamic Adjustments

Depending on the rate of Consumption, Lead Time’s, MOQ and Variability changes, Buffer Levels are dynamically adjusted.

Real life examples:

#1 and #2 dynamically adjusted buffer levels and as a result dramatically reduced inventory.

#3 example of almost doubled average consumption and how its affected buffer levels and average inventory.
DDMRP

Demand Driven Material Requirements Planning

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- Strategic Inventory Positioning
- Buffer Profiles and Levels
- Dynamic Adjustments
- Demand Driven Planning
- Visible and Collaborative Execution
Demand Driven Planning

Planners get all the necessary information to approve orders in batches.

If needed, planners can get detailed information about part, part history to make an informed decision.
DDMRP

Demand Driven Material Requirements Planning

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1. Position
2. Protect
3. Pull
4. Pull
5. Pull
Visible and Collaborative Execution

Purchased Parts & Raw materials synchronization alerts

Finished Goods and Components synchronization alerts

Distribution inventory alerts

Lead Time managed parts alerts

KORMOTECH
DREAM. THINK. CARE.

Demand Driven
TECHNOLOGIES
Technology for a Demand Driven World™

ABMcloud
analytic business management
RESULTS

Sales & Production

Volume in tons

Sales & Production before DDMRP

Firs steps in DDMRP, 15% increased both Sales & Production

Mature DDMRP inventory management. 40% increased both Sales & Production

2017 Week number

Intermediates & Finish Goods

SKU’s Availability

Before DDMRP SL was fluctuating around 90%

Now average SL is fluctuating around 99%

SKU’s inventories

Total inventory in $ decreased more than 45% with the 40% increased volume of production!

Raw materials & Packaging

Overstock decreased by 50% after 6 month of DDMRP

Total inventory level in $ slightly decreased with the 40% increased volume of consumption

Flow

Variability in sales and production decreased by more than 50% which is a good foundation of a more efficient operations management, cash flow reliability and cost efficiency
Next steps

**Horizontal DDMRP integration**

1. **Analysis of current agreements with suppliers**
   Kormotech’s management changed the evaluation criteria of what pricing, logistics conditions are really beneficial. The biggest shift is from the idea of: “The cheaper and more I'll buy from supplier the better”, to an idea close to: “The less I buy with the shorter Lead Time and with the lower price – the better”.

2. **Distribution inventory management**
   Company is working on technical and legal sites of a question to ensure migration from external distribution companies of a function of inventory management to Kormotech. So the company could manage the whole supply chain.

3. **ROI↑**

**Vertical DDMRP integration**

3. **S&OP process development & integration**
   Kormotech’s team is now working with a further, bi-directional integration between strategic(S&OP) tactical and operational levels allying all the key function(sales, finance, operations, production, etc) to a common goal.
**About the company integrator**

**ABM Cloud** is innovative company, that specializes in development and implementation of cloud-based solutions aimed to increase business performance.

[Map of project geography showing countries like Lithuania, Belorussia, Poland, Czech Republic, Ukraine, Georgia, Azerbaijan, Russia, Kazakhstan, Moldova, Burma (Indo-China)]
ABM Cloud

**OFFICES**
In European and CIS countries

**YEARS**
Efficient work

**PROJECTS**
Expert practice

**PROFESSIONALS**
Work to make clients’ businesses more successful
Products and expertise ABM Cloud