



# How Lead Time Forecasting Improves Customer Service and Sales

Lead times are more variable than ever, and delivery dates can be unpredictable due to increasing trucking regulations.

You know this scenario well. You've ordered seasonal inventory in plenty of time. Then, a snowstorm, hours away, brings traffic to a crawl. Your inventory is stuck and won't be delivered when you expected.





In the past, that meant truck drivers would simply drive through the night to deliver shipments on time. Those days are over and truck regulations are only increasing. Drivers are only permitted to drive a certain number of hours and GPS-enabled trucks are tracking these hours. Compliance with these new regulations is non-negotiable.



## What's the Answer?

Lead time forecasting considers trucking and other variables. Retailers and wholesalers who run into trouble are often not tracking lead time variance. It needs to be a component of your safety stock. Lead time forecasting needs to be more accurate than ever, down to the item-location level.

This means planning must include lead time forecasting for both vendor lead time and item lead time.

A common scenario is when a vendor delivers a shipment on time, but not every SKU on the purchase order was included. This is why effective systems account for both vendor lead times and item lead times. Just because Vendor A always delivers on time doesn't mean every item is delivered on time. Some items may be on back order. HIMPACT shows what items tend to be out of stock and reacts by carrying more inventory to protect customer service.

Why are some items out of stock more often than others?

Your manufacturer or vendor's management team will make sure they don't run out of their top selling, or A, items. With regard to C items, they then set up manufacturing runs for slow moving items at set intervals and produce a three to six-month supply. The B items, therefore, fall somewhere between fast and slow selling items. These are the items that they try to "optimize" by keeping less inventory. These are often the cause of out of stocks. It is often your suppliers' B items that are shorted. Tracking their B items and creating more safety stock creates a higher level of customer service.

Lead time variance tends to be specific to certain vendors, or inefficient manufacturers. The negative impact of these variances used to be reduced by the trucking companies. Now, increased regulations and lack of drivers nationwide are compounding the problem. Recently, a shortage of available drivers caused one of our grocery customers to see their overall service level drop below 90 due to no yogurt delivery for two full weeks.

## Be Proactive

Good inventory planning systems account for vendor lead times, item lead times, seasonal demand and more. Lead Time Forecasting would also identify trouble vendors, as well as delivery patterns of every SKU. This ultimately protects customers. Lead time forecasting alerts a human early in the process when there is still time to take corrective action.

Learn how HIMPACT can improve your lead time forecasting at [www.herlitzim.com](http://www.herlitzim.com).