> "Manhattan Associates' Replenishment solution has enabled us to reduce our inventory by $60 million with the right balance of products in our distribution centers."
>
> **Michael Williams, Vice President of Information Technology**
> **O'Reilly Auto Parts**

O'Reilly Auto Parts drives inventory management to stay in the fast lane

MANHATTAN'S REPLENISHMENT SOLUTION ENABLES O'REILLY TO DOWNSHIFT TO KEEP PACE WITH EXPANSION

According to the U.S. Commerce Department, American car owners spend nearly $38 billion each year to repair their automobiles. They expect those repairs to be completed quickly, and that means fast availability of replacement parts.

No company understands this better than O'Reilly Auto Parts. One of the largest specialty retailers of automotive aftermarket parts, tools, supplies and accessories in the United States, the company has more than 1,280 store locations and 10 distribution centers (DCs) in 19 states. With annual revenues of nearly $2 billion, O'Reilly employs 15,000 people.

O'Reilly had experienced significant growth through acquisitions and sought to continue that expansion. In order to accomplish this goal, the company recognized that it needed to replace its in-house inventory tracking application with an enterprise inventory management solution. The company's goal was to elevate customer service, increase replenishment efficiency and reduce growing inventory of approximately 100,000 SKUs.

"Growth rates had been so rapid that our old inventory system just couldn't handle them," said Michael Williams, vice president of IT. "We needed a scalable and cost-effective system to better analyze our inventory data and be more responsive to employees and customers."

MANHATTAN'S FUNCTIONALITY, COMMITMENT AND EXPERTISE TAKE THE CHECKERED FLAG

O'Reilly began evaluating the available products on the market and found that Manhattan Associates' Replenishment solution had the product functionality and commitment to help it achieve its business goals.

"The advanced forecasting formulas and optimization technology are what really sold us," Williams said.

O'Reilly AUTO PARTS — PROFESSIONAL PARTS PEOPLE

Headquarters: Springfield, MO

Distribution centers: 10

Platform: System i

Manhattan solution: Replenishment

Challenge:
Keep pace with ongoing company expansion and simultaneously reduce inventory levels.

Goal:
Implement enterprise inventory management solution to replace proprietary inventory tracking application.

Solution:
Manhattan Replenishment provides sales/inventory forecasts and buying/inventory recommendations after comparing daily sales data to DC batch processes.

Results:
Inventory reduced by $60 million, inventory turns up 44%, fulfillment of customer requests increased to 97%, and the number of trackable SKUs raised by 150%

A long-time IBM customer, O'Reilly chose to leverage its existing IBM DB2 Universal Database for System i as the platform for the Manhattan solution.

"We've been using DB2 since 1994, and the software has continually scaled to meet our needs. By powering Replenishment with DB2, we have an integrated SCM solution," Williams explained.

The entire deployment—including inventory management customization—took just six months. A segment of the O'Reilly IT team worked with Manhattan Associates to complete the integration design and implementation.

"The Manhattan team was really willing to roll up their sleeves and understand our needs," Williams said. "And deployment to the stores and distribution centers was easy. At some locations, it took just a couple of days to get the system up and running. The support we received, including in-house training, enabled the rest of us to focus on the core business."

With the solution in place, product information is captured locally in DB2 when sales occur at the store level. The data is transmitted every 30 minutes to the corporate database using TCP/IP over a wide area network (WAN). Updates from the DCs are transmitted during a nightly batch process. Replenishment then analyzes data from both sources and determines sales and inventory forecast for the items.

"As demand changes, Replenishment reviews the information and automatically makes recommendations to O'Reilly's buying staff and inventory analysts," Williams said.

"Since implementing our new solution (Replenishment), not only are we turning our inventory more often, we're still able to ensure that products are in stock when customers want them. It's the equivalent of replacing our entire inventory more than six times per year in our DCs, equating to a lower inventory dollar investment."

Michael Williams, Vice President of Information Technology
O'Reilly Auto Parts

GLOBAL PRODUCT VISIBILITY SHIFTS INVENTORY MANAGEMENT INTO OVERDRIVE

Managing more than 23,000 SKUs per store and up to 100,000 SKUs per DC (more than twice the industry average), Replenishment is meeting O'Reilly's high-volume requirements. Since implementing the Replenishment solution with DB2 for System i, O'Reilly has achieved an inventory reduction totaling $60 million. Additionally, O'Reilly has increased its inventory turns by 44% while fulfilling customer requests 97% of the time.

"Previously, we had to maintain very high inventory levels to respond to customers' needs," Williams said. "Since implementing our new solution, not only are we turning our inventory more often, we're still able to ensure that products are in stock when customers want them. It's the equivalent of replacing our entire inventory more than six times per year in our DCs, equating to a lower inventory dollar investment."

He added, "Now, we can handle 150% more SKUs than we could with the old system and also gained the ability to manage our inventory by exception and not just on an individual SKU basis. That is a big improvement over our homegrown implementation."

With its new, heightened level of global product visibility, O'Reilly can easily respond to customer demand for each of its locations, ensuring a competitive advantage and continued success.

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