

Ace Hardware: Using technology to reduce inventory and stock-outs

Since it was founded in 1924 by a small group of Chicago hardware store owners, Ace Hardware Corp., has had quite an impact on the retail landscape.

Early on, for example, it began allowing individual stores to purchase merchandise in bulk in order to save money and to buy at the lowest possible price. This arrangement helped even the smallest stores compete more effectively in a marketplace where large, national retailers tend to have the biggest buying power.

Fast-forward to 2017 and Ace remains committed to continuous improvement in the inventory management realm, where it recently implemented a multipronged approach to managing stock for its international DCs. As part of that effort, the company implemented an inventory optimization solution from Blue Ridge Supply Chain Planning Solutions.

Brian Cronenwett, vice president of international logistics for the Oak Brook, Ill.-based hardware retailer, says that initiative was driven by the need to improve fill rates for its international retailers while also reducing stock-outs by 40%.

When shopping around for a solution that would help it meet those objectives, Ace Hardware started by looking at and then dismissing the idea of using a large, expensive planning tool for the job. “We were already using that for our domestic DCs,” says Cronenwett, “and knew that it wouldn’t be a cost-effective approach.”

After exploring several different technology platforms, Ace Hardware’s IT team narrowed the choices down

to just three. Cronenwett says that after exploring the costs related to each choice, the company picked Blue Ridge. “We liked the look and feel of the user interface,” he adds. “It was a very user-friendly tool, as opposed to some of the stare-at-the-blank-screen options that we looked at.”

As a company that frequently deals with “lumpy” demand that can be difficult to predict in advance, Ace Hardware wanted a simple interface that didn’t rely on “13 different algorithms to get to the answers that we needed,” says Cronenwett. “We wanted a solution with one good algorithm that would allow the analyst to make quick decisions based on what he or she was seeing on the [screen].”

Using its new system, the retailer has eliminated about 80% of the time it once took to create POs for its vendors. And armed with the system-generated data—plus more time to do their jobs versus just creating POs—the company’s analysts are taking a more proactive approach to inventory management.

“Our new forecasting engine is more robust than anything we were using previously,” says Cronenwett. “In our lumpy environment, that means we no longer have to manually adjust to compensate for those fluctuations.”

Finally, Cronenwett says Ace Hardware is on pace to reduce its inventory levels by 16.5% this year while also reducing stock-outs by 40%. “We’re going to exceed our original goal,” says Cronenwett. “It’s great when you buy software and it actually works.”

—Bridget McCrea, contributing editor

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