



Herramientas Poderosas:

Construction and Power Tool
Distributor Controls Spending and
Manages Growth with VALOGIX[®]
Inventory Planner and SAP[®] Business
One

“Our customers expect to receive the parts they need, when they need them. We have to earn their loyalty by providing them with outstanding service, every time. Using VALOGIX Inventory Planner allows us to reduce our overall capital expenditures and at the same time, deliver the level of service our customers expect.”

Antonio Castillo, CFO,
Herramientas Poderosas

Quick Facts

Company

- Name: Herramientas Poderosas
- Location: Guatemala City, Guatemala
- Industry: Construction and Power Tools
- Products and services: Building Materials and Power Tools
- Items in inventory: 5,200+

Challenges and Opportunities

- Attain fill rate of at least 95%
- Identify and reduce slow moving and obsolete inventory
- Manage exponential growth

Objectives

- To be the industry leader by providing the best fill rates and time of delivery
- Reduce the number of days of inventory
- Increase staff productivity and reallocate resources to other projects

Software Solutions

VALOGIX[®] Inventory Planner with
SAP[®] Business One

Why VALOGIX

- Proven system with measurable results in a very short timeframe

Benefits

- Reduction of days of inventory from 144 days to 45 days allows capital investments in other functional areas
- Accurate inventory levels increase fill rates and reduce inventory overhead
- Reduction of inventory by 22% decreases capital expenditure needs
- Providing vendors with forecast allows the negotiation of volume discounts
- Scalable solution changes with growing business needs
- Automated reporting and processing improves staff productivity and saves nearly \$80,000 per year
- Return on Investment in less than six months

Previous Environment

In-house Access database and non-integrated Excel spreadsheets



“Before Valogix, we kept 144 days of inventory in stock at all times to ensure we always had what our customers needed. Now, we only keep an average of 45 days of inventory while still maintaining a 95% fill rate.”

Antonio Castillo, CFO
Herramientas Poderosas

Accelerated Growth Changes Business Focus

When Herramientas Poderosas (HP) opened for business in 2003, they had just four employees. Fast forward to 2009, they now employ 130 people. Similar to home improvement centers in the United States, HP’s parent company, Cemarco in Guatemala sells power tools, construction and agricultural equipment, and home improvement materials.

The priority at HP has always been customer service. Well aware that customer loyalty is a fickle thing, HP stocked 144 days of inventory to keep their customers from shopping the competition.

“In the infancy of our company, we were focused on having every sku in stock at all times to ensure that our fill rates were at least 95% or better. We didn’t spend a lot of time managing our working capital but with 15% growth per month and increasing rent for warehouse space, it became necessary for us to refocus our efforts,” says Antonio Castillo, CFO for HP. *“In addition, we had complex, manual inventory forecasting and purchasing processes and even though we felt confident in the numbers it gave us, it took an inordinate amount of time and led to overstocking.”*

Technology is the Key to Manage Growth and Goals

HP contacted their SAP Business One partner, Inforum, to recommend a solution to enhance their inventory planning processes. Once Edgar Urrutia, Executive Director, completed the discovery process, he knew VALOGIX® Inventory Planner was the solution which would enable HP to achieve their goals.

“HP was the perfect candidate for the Valogix solution. They had high inventory costs and outdated planning and forecasting methods that took up the greater portion of their staffs’ time,” notes Mr. Urrutia. *“The result has been amazing: they save nearly \$80,000 a year and have decreased their days of inventory to just 45, which has brought their inventory investment down by 22%.”*

Not only has HP accomplished their goal of maintaining a 95% fill rate with less stock, they’ve been able to significantly increase employee productivity. By using the VALOGIX Inventory Planner for forecasting, purchasing and optimizing stock, HP has been able to whittle the previously three full time employee process down to one planner who spends just three hours a week completing these processes. Reallocating resources to other projects has made a huge impact on HP’s bottom line.

Proven System Gives HP the Results They Need

HP is determined to be the industry leader. Their products are not the least expensive and they know their customers will shop the competition if HP doesn’t have what they need, when they need it. According to Mr. Castillo, *“We tell our customers that they don’t have to stock every sku—we will. And VALOGIX Inventory Planner helps us stock the right items at the right time.”* And even though they have pledged to stock what their customers need, they’ve still managed to dramatically reduce overstocks and dead inventory while reducing their overall inventory value.

“We’ve reduced our inventory value by \$320,000 in a very short time while maintaining 95% or better fill rates. Shifting the focus from keeping up with our growth to managing working capital has truly allowed us to stay ahead of the competition and keep our customers coming back,” adds Mr. Castillo.



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