

## Financially Optimizing Auto-Part Purchasing, Replenishment, and Assortment



### Introduction

**Tokić** is a leading auto-parts retailer in Croatia that services over 230 world-renowned manufacturers and more than 300 suppliers. The complexity of their vertical is augmented by the combination of Tokić's substantial operational scale and growth - this project covers 40+ stores of Tokić's Croatian market - as well as the lingering impact of the COVID-19 interruption and Croatia's recent currency switch to the Euro. This case study explores how Tokić and Lokad partnered to optimize Tokić's purchase order, replenishment, and assortment needs, resulting in improved efficiency, increased control, and significant financial gains.



"In order to effectively navigate both developments in technology and economic obstacles, we must optimize our own business' efficiency and agility. In terms of procurement, replenishment, and inventory management, our partner Lokad has shown to be revolutionary.

We have achieved unprecedented levels of operational efficiency because of their highly skilled team of data scientists and their potent machine-learning predictive software. Tokić Group reduced its inventory investments while increasing revenue and enhancing service quality.

Only these kinds of technological advancements can help businesses grow sustainably by transforming obstacles into opportunities. In those cases, technology humanizes itself and benefits the community."

**Ivan Šantorić**  
CEO, tokic.hr

### Situation

Tokić wanted to cement its position as a leading auto-parts retail network in Croatia, though this ambition was marked by industry-specific and company-specific challenges.

Industry-specific obstacles included the inherent complexity of the automotive industry in Europe, with over 100,000 distinct vehicles and 1,000,000 distinct parts to factor into one's assortment, procurement, and dispatch decision-making.

Company-specific obstacles included Tokić's already large retail network coupled with its plans to introduce a new assortment. Add to that the company's continued growth and commitment to avoiding negatively affecting service levels. Moreover, Croatia's transition to the Euro increased overall IT supply chain complexity.

Simply put, Tokić needed a solution that would:

- **Optimize** purchase orders and store replenishment transfers to deliver high service levels and availability for 40+ stores and more than 130,000 SKUs.
- **Roll out** Tokić's assortment update in line with new category management policies within the company.
- **Balance** need-driven demand in a post-pandemic world still prone to significant disruption and degraded delivery times and supplier service levels.
- **Prioritize** financially profitable inventory decisions that comply with suppliers' constraints for high-margin SKUs.

## Solution

After detailed discussion and investigation, Lokad committed to delivering Tokić a solution that addressed their supply chain pain points. Lokad's quantitative supply chain solution thus needed to:

- **Reshape** store replenishment decisions, in real time, to account for fluid feedback from assortment tryouts.
- **Synchronize** purchase orders and dispatch decisions (automatically) for maximized assortment availability.
- **Track** suppliers' lead times and service levels at the SKU-level, providing dashboard scorecards for convenient analysis and calls to action. In turn, adjust ordering to reflect degraded lead time and service.
- **Forecast** more accurately and reactively, down to the *SKU-store* level at any given store in the network.
- **Streamline** logistics at the distribution center-level to maximize use of available worker capacity and reduce overall workload.
- **Liberate** managerial resources (time, mental bandwidth, and physical effort) to focus more on strategy and negotiation instead of repetitive, mundane tasks.

## Implementation & Results

The implementation of Tokić's unique *numerical recipe* (Lokad-speak for the optimization) was delivered and went live in less than a year, and Tokić's new assortment rollout was achieved **3 months ahead of schedule**. Lokad's optimization provided Tokić **greater control** of their evolving retail network and provided tangible financial results in the following ways:

- **Achieving** controlled inventory costs during Tokić's new 550,000+ variants assortment update. This was done while introducing 50% new variants.
- **Increasing** availability of fast movers by **5%** across the entire retail network as the assortment continuously evolves. Profitable service levels of slower and intermittent sellers were successfully maintained throughout assortment updates.
- **Increased** warehouse-to-store efficiency by targeting unnecessary deliveries. This resulted in a 2.5x reduction of fast mover transfers per month.

- **Achieved** net sales increase across 40+ stores with a double-digit lower inventory value increase than anticipated – thanks to Lokad's decision-recommendations. The difference between COGS and Net Sales also improved by double-digit figures year-on-year.

## Support & Collaboration

People are at the heart of every successful supply chain optimization, and Lokad's partnership with Tokić is no exception. Tokić's supply chain needs are exceptionally complex and ever-shifting, thus requiring the ongoing efforts of several highly-skilled and motivated people.



"The project with Tokić is remarkably satisfying, not only because it has worked out so well, but because it demonstrates that complexity can be tackled with the right tools, the right people, and the right mindset.

Luka Rados and Ivica Pivar (Head of Inventory Management and Executive Director of Supply Chain at Tokić, respectively) have been excellent collaborators and we are excited about the next phase of the project."

**Elliot Langella**  
Executive Supply Chain Scientist, Lokad

## Conclusion

Lokad's partnership with Tokić has been a resounding success, addressing their unique constraints in an exceedingly complex and evolving environment.

**Going forward**, Tokić and Lokad will expand the project to include Tokić's Slovenian market, thus increasing the scope of total stores covered to over 100.