



Proponent adapts to disruptive COVID-19 demand

Rebalancing aerospace spares inventory to new demand patterns

Proponent is the largest independent aircraft parts distributor in the world. Just like many other businesses, the aerospace industry has endured a substantial blow by the COVID-19 virus. Due to a dramatic decrease in flying hours, Proponent faced a significant reduction in spare part demand with large variations per product line. In cooperation with Gordian, a segmented and tailored approach was developed. The model provides a better fit for future demand, while heavily optimizing investments of stock in combination with a minimal loss of service level.



Introducing a COVID-19 change ratio

When demand drops down that suddenly, even the best possible forecast methods are not effective anymore. The methods will always react too late to the demand change, resulting in overstocking and spending precious budget on unnecessary stock. To respond to the demand disruption, we introduced a COVID-change-ratio to 'impose' this disruption on the forecasting models.



Using a classification as a basis for new inventory strategies

Based on the COVID-change-ratio, the parts were classified in 4 groups. Every group has a different approach to react on the demand disruption, see also the table below.

CLASSIFICATION AND APPROACHES	
NO SIGNIFICANT NEGATIVE DEMAND CHANGE	Slight reduction of SL to lower purchase requisitions
HIGH DEMAND CHANGE, BUT NOT TO ZERO	Historical demand adjustment to create a better forecast and preventing overstocking
DEMAND DISAPPEARED	No replenishment + trigger when demand pops up
SLOW MOVERS	Minimizing order size

Note that on more detailed level we make an additional classification for longer and shorter lead times.



Supporting the journey to the new normal

The model developed is not a static model, supporting a once-only intervention. The COVID-19 change ratios are dynamic, in turn leading to a dynamic classification. This means that we can provide accurate stocking parameters now but also in our journey to the new normal – whatever that may be. Using that dynamic character, cashflow will be limited throughout the complete journey while still providing the best possible service to all aerospace clients.



"With the differentiated approach as advised by Gordian, we met both our goals, with only limited amendments to our Inventory controls models". René Lagendijk, Forecasting & Inventory Manager

More information:
Rogier Zoun, Consultant at Gordian
r.zoun@gordian.nl www.gordian.nl

