

**KORMOTECH**  
DREAM . THINK . CARE .

# KORMOTECH

DREAM.THINK.CARE.



Kormotech is Ukrainian company that produces high quality pet food under its own brands and private label. Launched in 2003 in Lviv (Ukraine) company is striving to enter the top 50 global industry leaders.

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# HIGHLIGHTS



## Market Leader

in creating highest quality  
pet products in Ukraine  
(volume of sales, 2016)

**500**

employees, 386 out of  
which are pet owners

## Top - 50

Kormotech is in Top-50 pet  
food companies in Europe

**43 000 tons**

**CAPACITY IS 13 000  
TONS OF WET AND 30  
000 TONS OF DRY PET  
FOOD PER ANNUM**

**18**

The company export its products  
to 18 countries worldwide

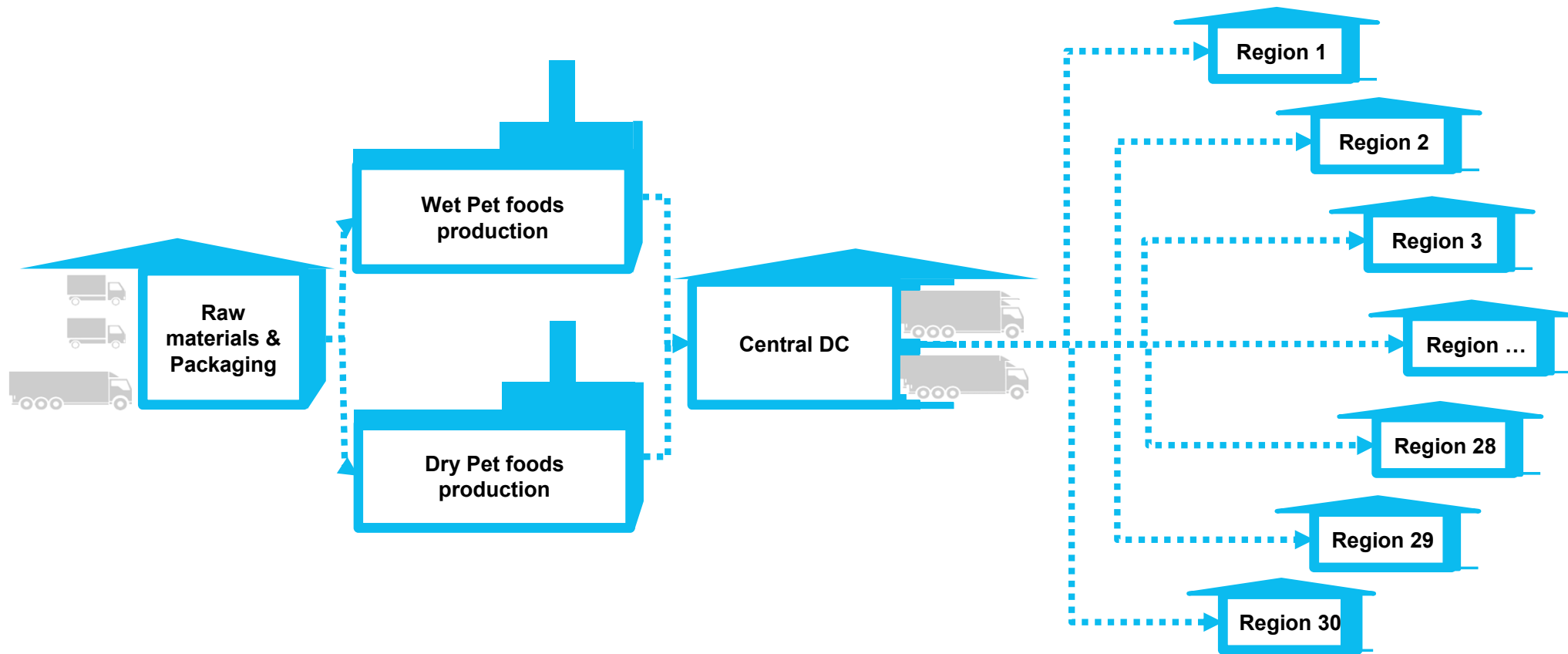
**5 700 m<sup>2</sup>**

The warehouse area is 5700 square  
meters, with 4000 palettes inside

**2**

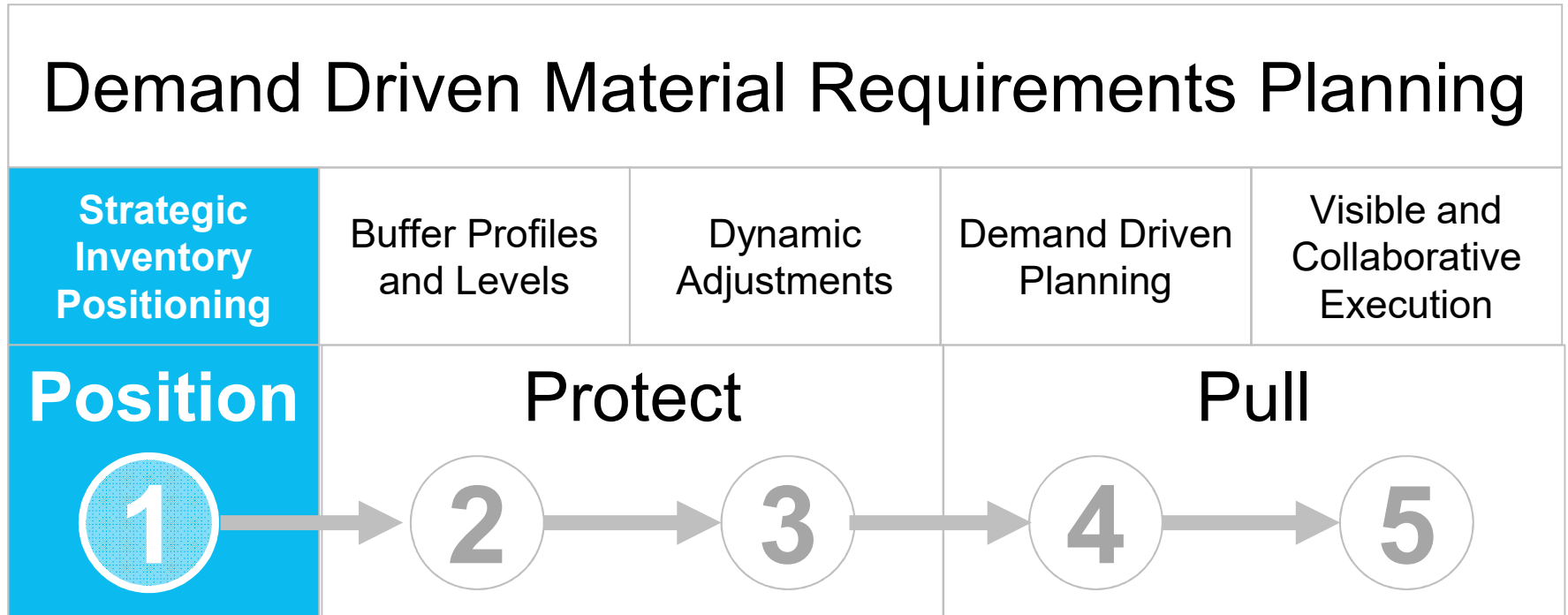
high-tech manufacturing  
facility for dry and wet pet  
food that meets European  
standards (HACCP)

# Kormotech's Supply Chain



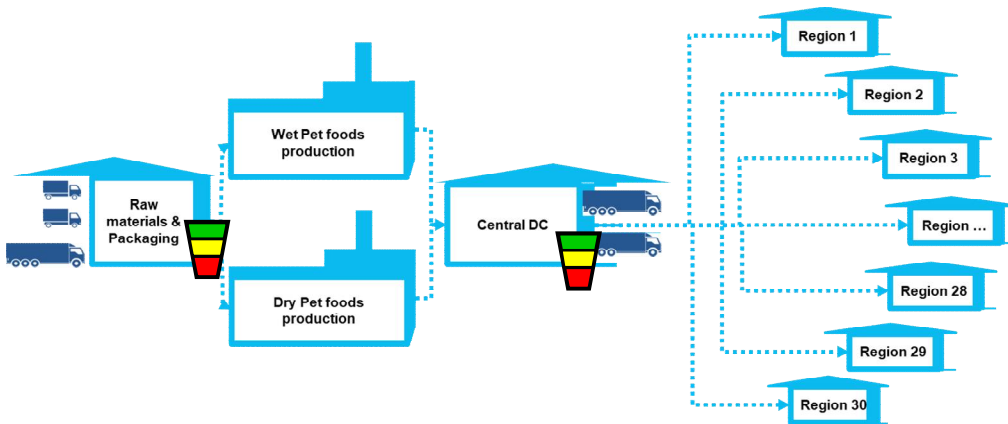
# DDMRP

## Demand Driven Material Requirements Planning



# Step 1. Strategic inventory positioning

**Firs step** was to position inventory in raw materials and finished goods level, just the way they was before Demand Driven



**Second step** - positioning on product structure level: Reliability, Lead Times and cost optimization.

## Real life example on one SKU

**Before:**

Lead Time:  
**17 days**

Finish good A   
Inventory value:  
**108 000 in local currency**

Part B — Lead Time:  
**9 days**  
Inventory value:  
**0 in local currency**

**After:**

Lead Time:  
**8 days**

Finish good A   
Inventory value:  
**74 000 in local currency**

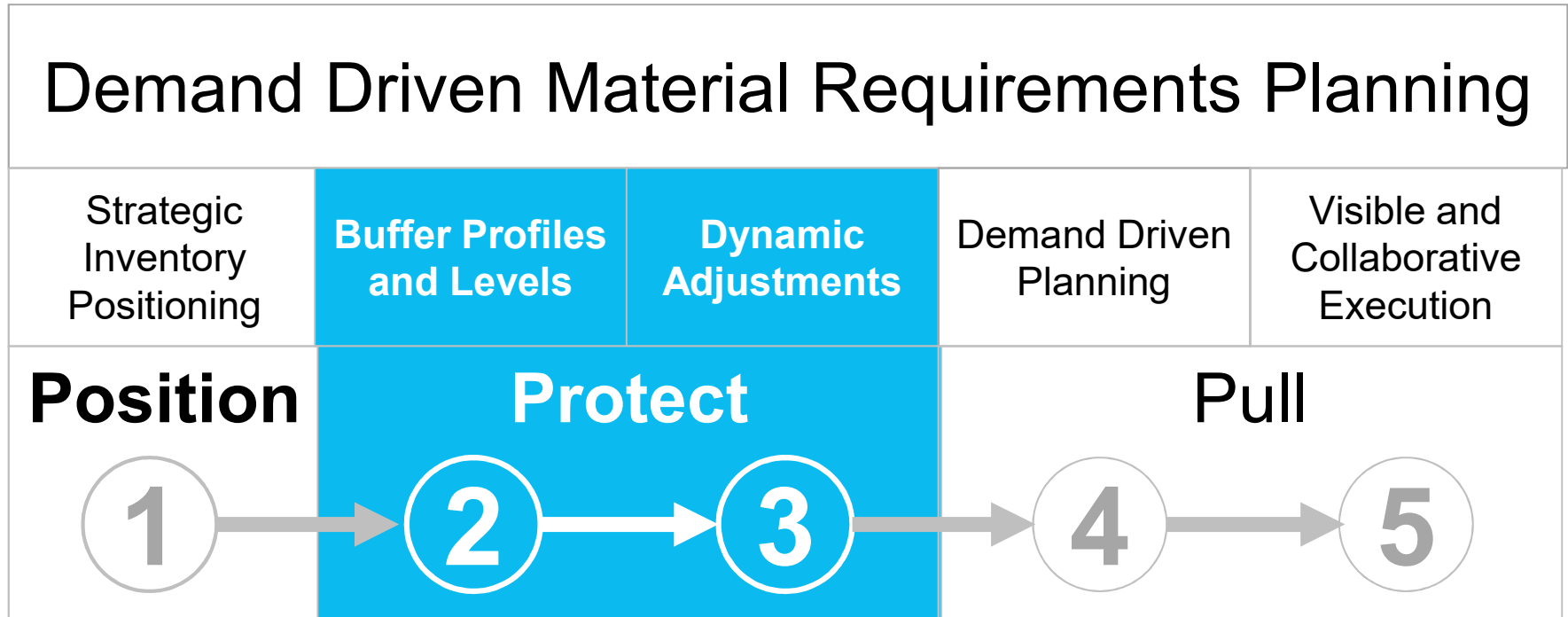
Part B   
Lead Time:  
**9 days**  
Inventory value:  
**5 000 in local currency**

**One of every day results:**

- 9 days or **50% Lead Time reduction**
  - 29 000(108-74-5) or more than **25% working capital reduction**
- ALL Without compromise!**

# DDMRP

## Demand Driven Material Requirements Planning





# Supply Chain

## Buffer Profiles and Levels

SKU's Buffer Profile segmentation on raw materials and packaging are broad mainly because of a variety of supplier's Lead Times

b11	3,65%
b12	9,59%
b13	18,57%
b21	8,68%
b22	10,20%
b23	15,68%
B31	4,41%
b32	13,24%
b33	12,94%
LTM	3%

SKU's Buffer profile segmentation on Intermediates(most of them are LTM) and Finish good levels are more unified

LTM	41%
M11	13%
M12	26%
M13	20%

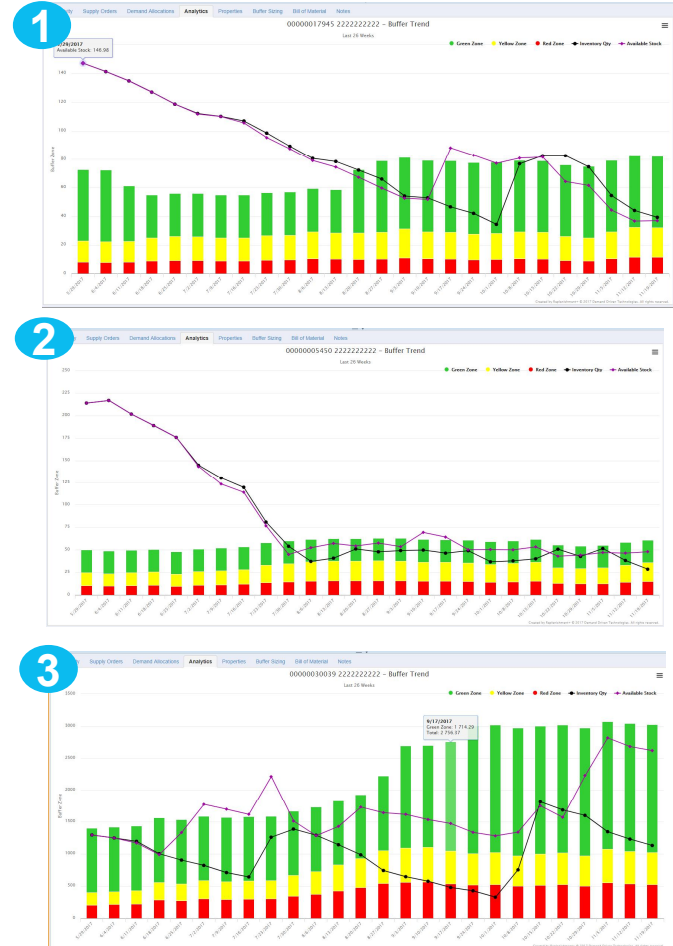
## Dynamic Adjustments

Depending on the rate of Consumption, Lead Time's, MOQ and Variability changes, Buffer Levels are dynamically adjusted

### Real life examples:

**#1** and **#2** dynamically adjusted buffer levels and as a result dramatically reduced inventory.

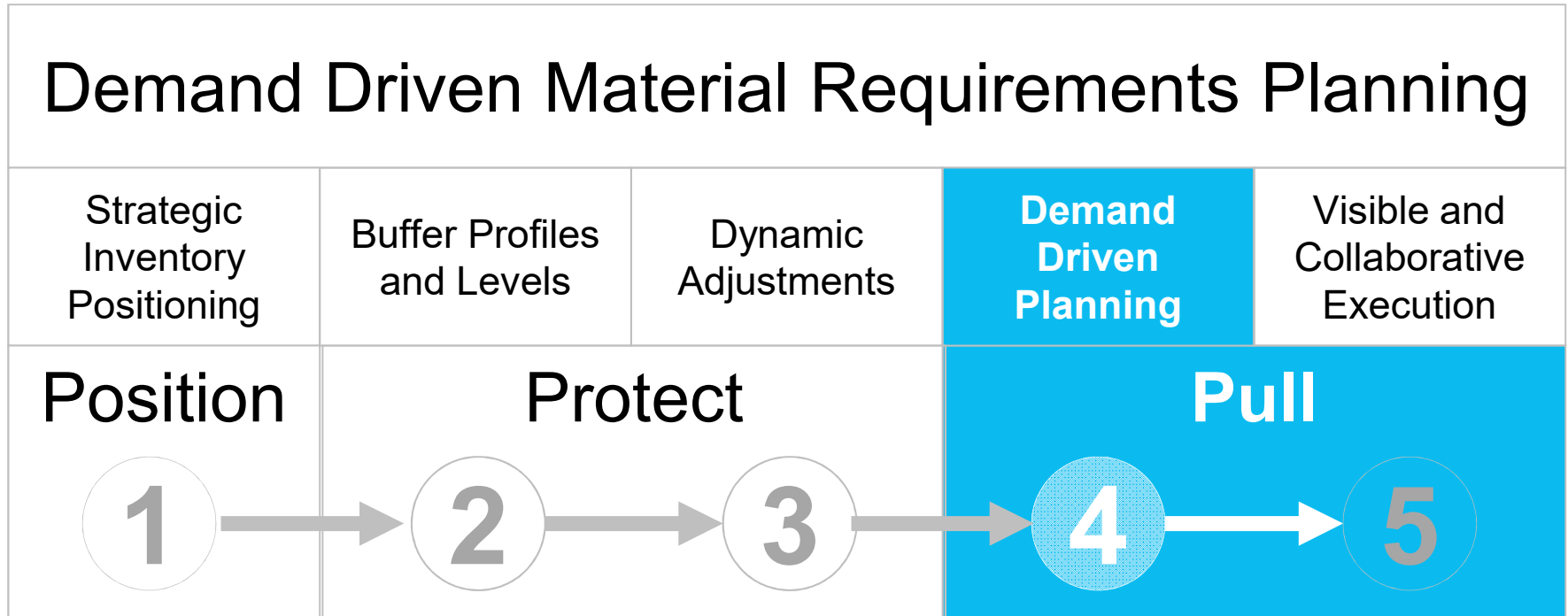
**#3** example of almost doubled average consumption and how its affected buffer levels and average inventory





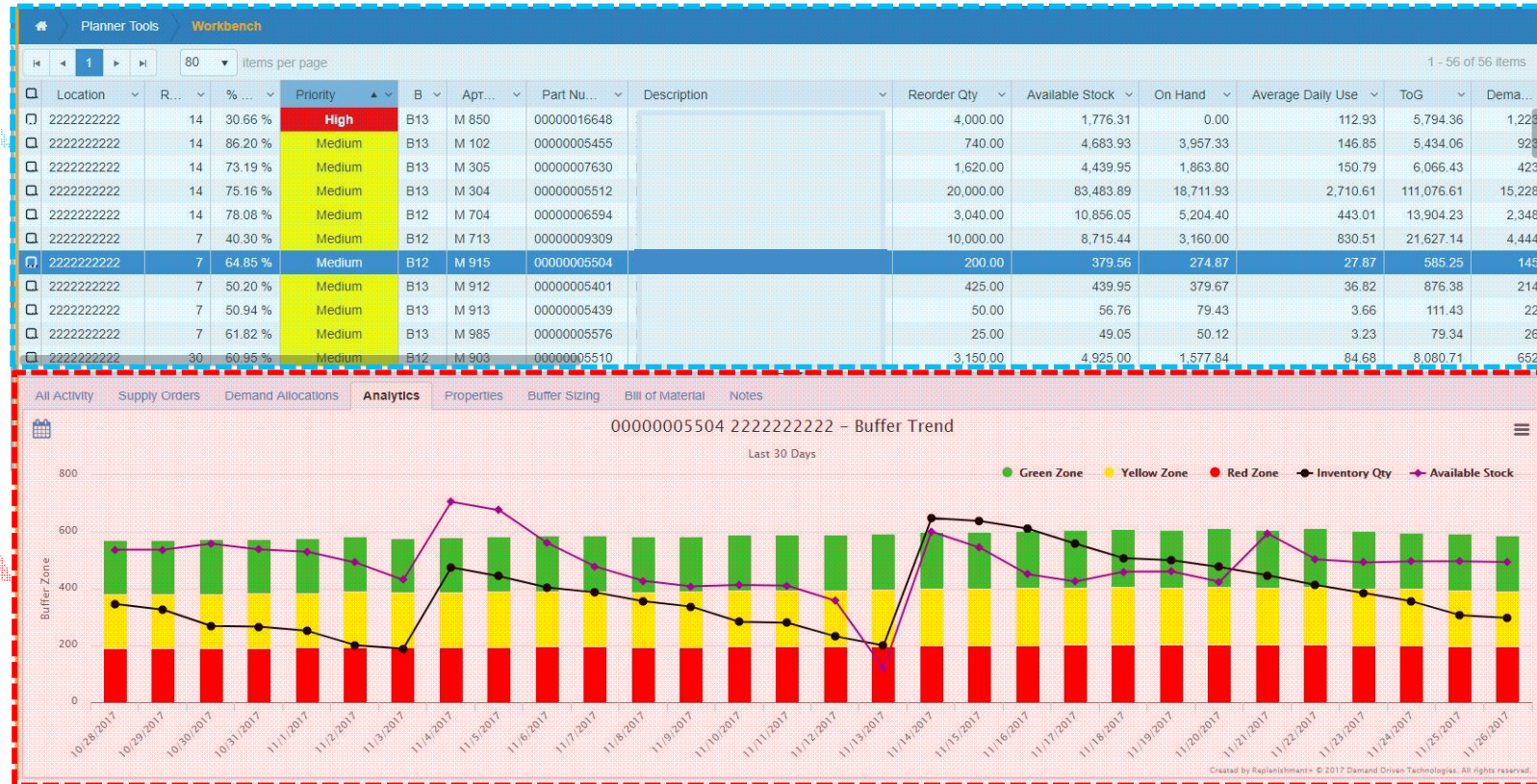
# DDMRP

## Demand Driven Material Requirements Planning



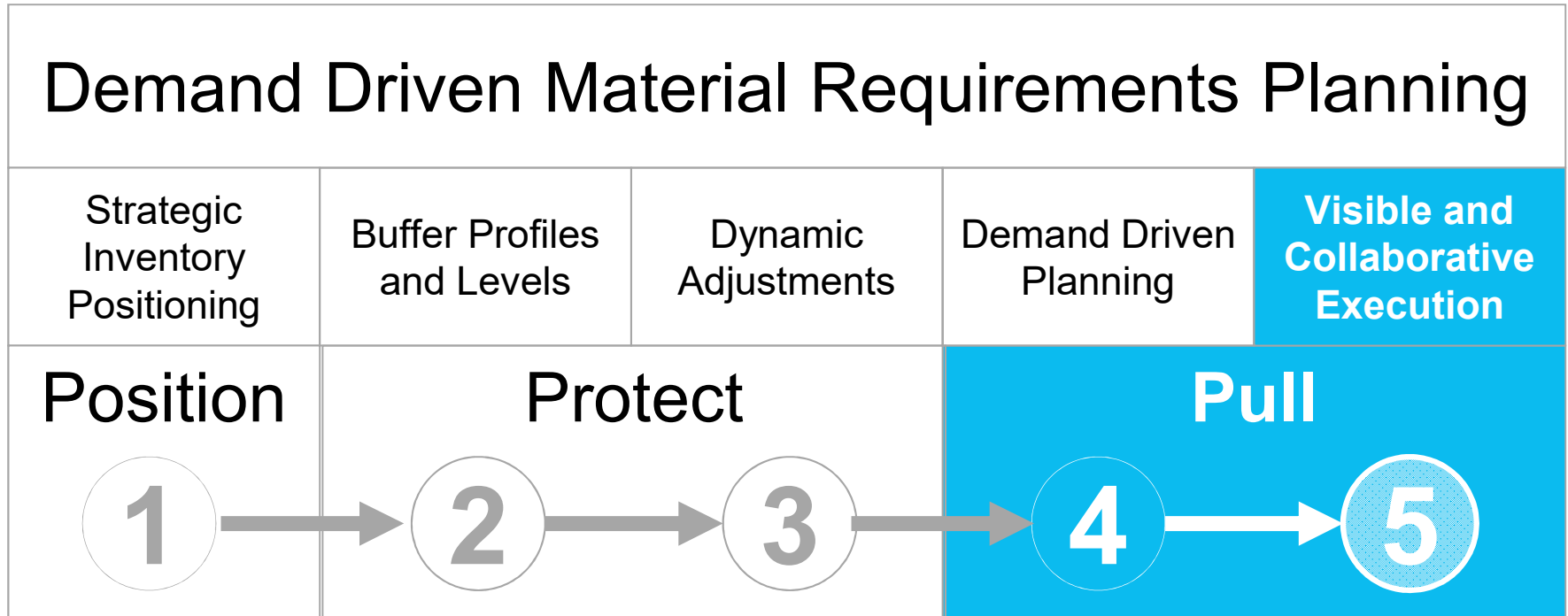
# Demand Driven Planning

Planners get all the necessary information to approve orders in batches



If needed, planners can get detailed information about part, part history to make an informed decision

# DDMRP



# Visible and Collaborative Execution

## Purchased Parts & Raw materials synchronization alerts

Execution Alerts		
Current Inventory		
Critical	1	1
High	1	1
Material Synchronization		
Critical	1	1
High	5	6
Projected Stock Out		
Medium	3	3

## Finished Goods and Components synchronization alerts

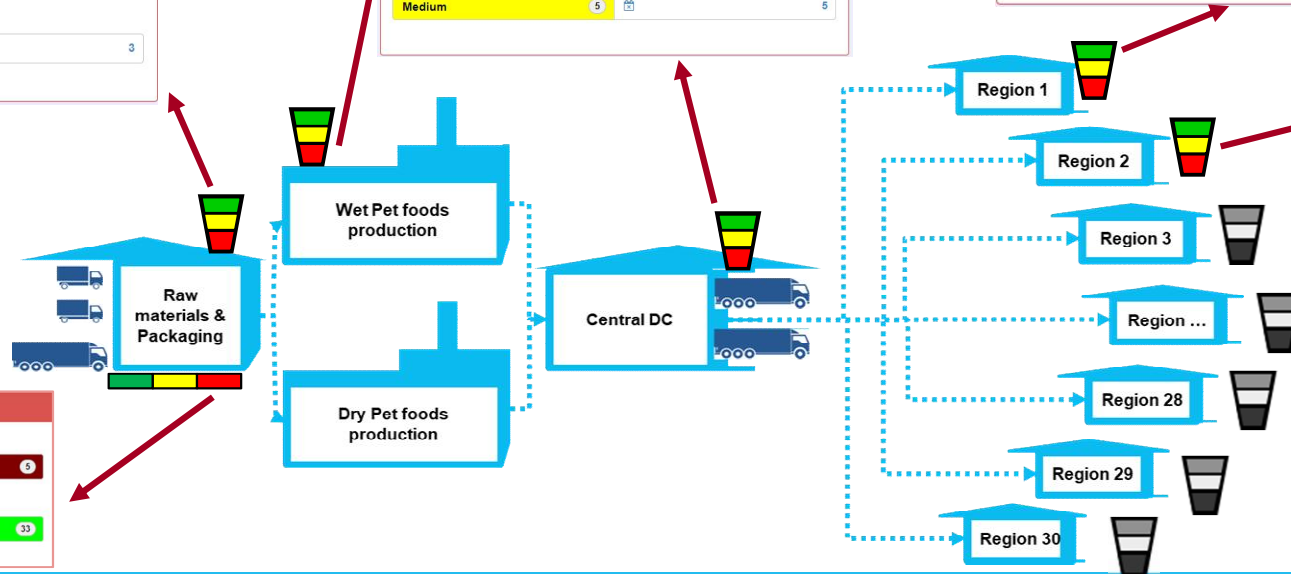
Execution Alerts		
Current Inventory		
Critical	1	1
High	3	3
Material Synchronization		
Critical	5	5
Projected Stock Out		
High	3	3
Medium	5	5

## Distribution inventory alerts

Execution Alerts		
Current Inventory		
High	3	3
Projected Stock Out		
Medium	1	1

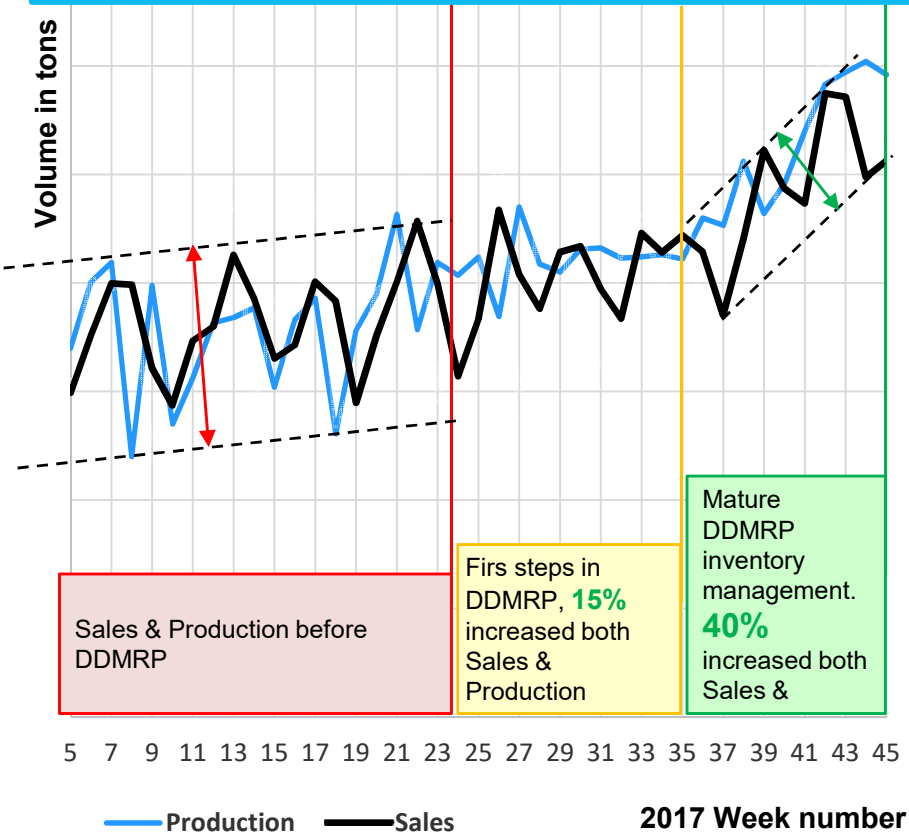
## Lead Time managed parts alerts

Execution Alerts		
Material Synchronization		
Critical	5	5
Lead Time Managed		
Low	33	33



# RESULTS

## Sales & Production



## Intermediates & Finish Goods

### SKU's Availability

Before DDMRP SL was fluctuating around 90%

Now average SL is fluctuating around 99%

### SKU's inventories

Total inventory in \$ decreased more than **45%** with the **40%** increased volume of production !

## Raw materials & Packaging

Overstock decreased by 50% after 6 month of DDMRP

Total inventory level in \$ slightly decreased with the 40% increased volume of consumption

## Flow

Variability in sales and production decreased by more than 50% which is a good foundation of a more efficient operations management, cash flow reliability and cost efficiency



# Next steps

## Horizontal DDMRP integration

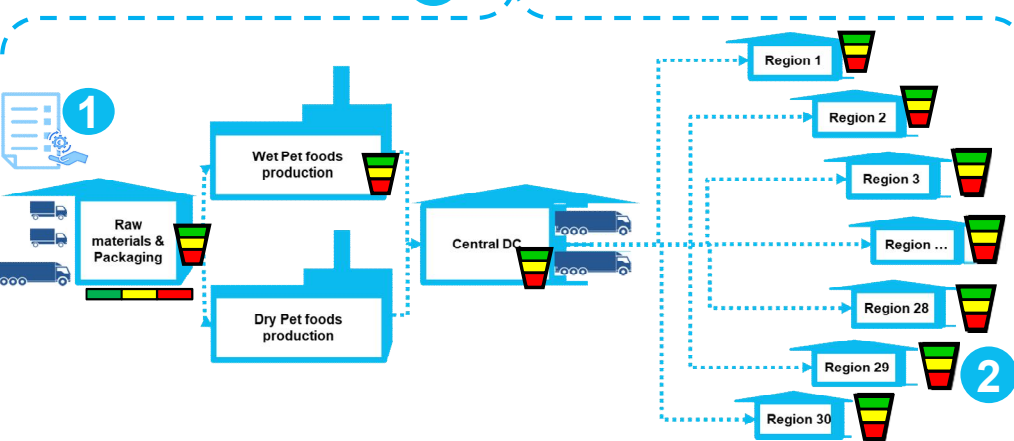
### 1 Analysis of current agreements with suppliers

Kormotech's management changed the evaluation criteria of what pricing, logistics conditions are really beneficial. The biggest shift is from the idea of: "The cheaper and more I'll buy from supplier the better", to an idea close to: "The less I buy with the shorter Lead Time and with the lower price – the better".

### 2 Distribution inventory management

Company is working on technical and legal sites of a question to ensure migration from external distribution companies of a function of inventory management to Kormotech. So the company could manage the whole supply chain.

3 ROI ↑



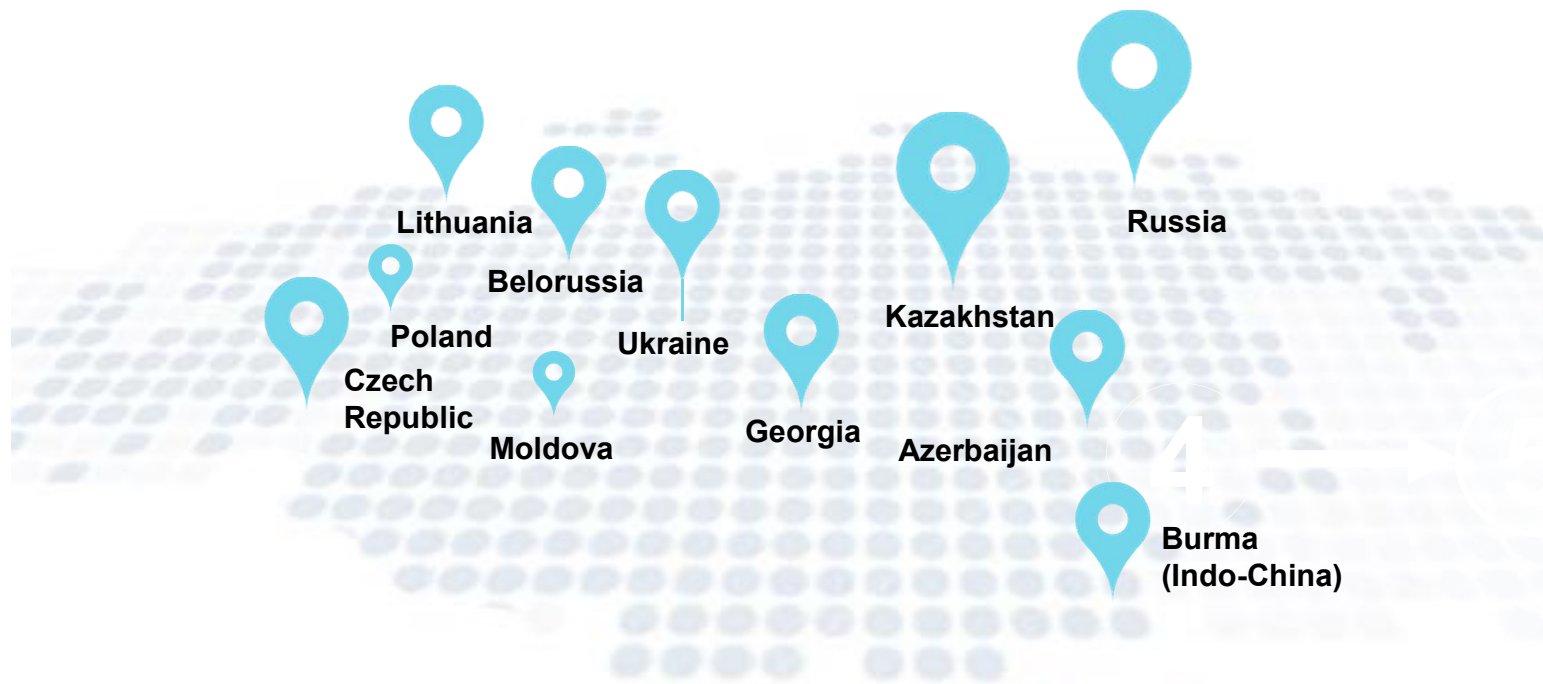
## Vertical DDMRP integration

### 3 S&OP process development & integration

Kormotech's team is now working with a further, bi-directional integration between strategic(S&OP) tactical and operational levels allaying all the key function(sales, finance, operations, production, ets) to a common goal.

# About the company integrator

**ABM Cloud** is innovative company, that specializes in development and implementation of cloud-based solutions aimed to increase business performance.





# ABM Cloud



4

## OFFICES

In European  
and CIS  
countries

8

## YEARS

Efficient work

150

## PROJECTS

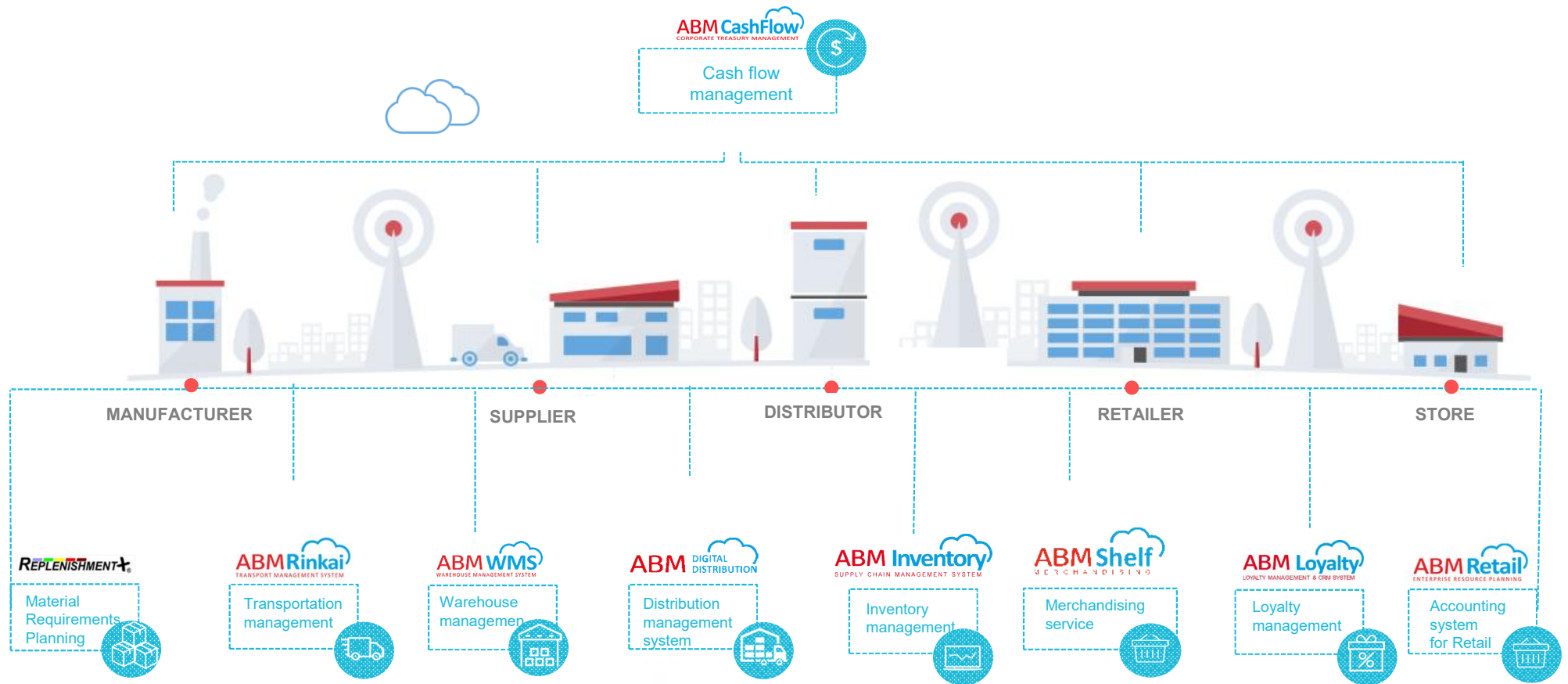
Expert practice

200

## PROFESSIONALS

Work to make clients'  
businesses more  
successful

# Products and expertise ABM Cloud



**Edward Babenko**  
Kormotech's Sales  
Director and DDMRP  
implementation  
Project Manager



**Oliinyk Sviatoslav**  
ABMCloud's  
Consultant and DDMRP  
implementation  
Project Manager

# Thank you !

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