



Fast-Growing Coffee Retail Chain Leverages AI-Powered Product Mix Optimization to Achieve 15% Inventory Reduction and Accelerate Operational Efficiency

Synopsis

ThroughPut's AI-powered Supply Chain software suite helped a popular US-based coffee retail chain deploy intelligent product optimization, allowing it to reduce inventory by 15% and achieve a 5% productivity gain in labor. The decade-old group, which offers an eclectic mix of food and beverages, was able to quickly sense shifts in demand and dynamically adjust its menus to not just maximize profit margins but also avoid waste of food and other resources. With a 15% inventory reduction, the café chain was able to avoid inventory pile-ups, and also free up labor for more profitable activities.

Client Background

The client has over the span of a decade grown rapidly into a boutique coffee chain offering hand-brewed, iced, and blended coffees, fresh juices and smoothies, and a range of delicious and healthy food options to go with its beverages. The chain focuses on providing great food and beverages made using locally grown, fair-trade, organic produce of the highest quality.

Business Challenges

In the aggressively competitive café business space, customer demand is ever-increasing. They want fresh, innovative, artful food and an unparalleled experience, and they want it all now. However, regardless of how many different tasks there are to do to get this right, getting the menu right is undeniably the first step to establishing a successful café business. The client thus faced the following major challenges in terms of optimizing its menu options:



Lack of Visibility into Great and Not-so-Great-Performing Offerings

Given the existing competition, it is critical to match the menu to the market. To really gain a competitive edge, cafes need to be able to identify changes in tastes and trends early enough to be able to pivot and adapt to these shifts with minimal operational disruptions and financial losses.



Inventory Pile-ups and Waste of Food and Other Precious Resources

Managing orders and inventory is another headache typical of the retail industry. If customers fail to get what they ask for when they ask for it, they will be sure to find it somewhere else. Running out is just not an option, of course, but neither is producing dead stock. This means that the entire value chain has to be streamlined to deliver just the right products, at just the right time. All supplies need to be sourced ahead of time, but not so much ahead that freshness becomes an issue. Overstocking can result in rotting and wastage – of not just ingredients, but also of finished products that do not sell (leading to inventory pile-ups), not to mention all the resources that went into making them. Inevitably, costs shoot up as well.

Logistics Challenges

Shipping costs are a permanent concern in the retail industry – and with fuel costs on an unprecedented climb, logistics costs are currently nearly inelastic. This means that only the right volume of goods and materials should be moved at the right time. Cafes, therefore, need a SKU-level visibility not just into product performance, but also into material movement across their value chains. They need to accurately sense and plan for demand, and trickle down that data to affect operations across their supply and value chains.

The client wanted to overcome all these challenges by adopting an intelligent, agile, and cognitive approach to optimizing its product mix, based on precise demand sensing, planning, and fulfillment.

The Solution

With ThroughPut's AI-powered software suite, the client was able to immediately eliminate inventory pile-ups and wastage of food, affecting a 15% reduction in inventory and 5% productivity gain in labor.

Having gained full visibility into inventory turnover frequency, customer re-order frequency, shipping costs, and lead times for premium products at an individual SKU level, the café chain was able to leverage ThroughPut's demand-value matrix and prioritize products based on demand sensitivity, easing up free cash flow.

Dynamic Menu Modification

ThroughPut not only provided the café with real-time visibility into current customer demand, but also predicted what it is likely to look like in the near term. The café could then modify its menu in response to anticipated changes in customer tastes and preferences – without disrupting customer experience, wasting food or other precious resources, or running out of essential stock.

High OTIFs for Fresh Products, Always

ThroughPut's custom AI also helped the client ensure that it could prioritize its goods and materials for maximum effective utilization. With full control of its operations end to end, the café had access to just the right materials, in just the right volume, at just the right time – enabling it to serve its customers in exactly the same fashion.

The Impact

ThroughPut's AI enabled the client to continuously optimize its product mix to offer uninterrupted, delightful customer experiences, while at the same time ensuring maximum profitability, healthy inventory turnover frequencies, and minimum logistics expenses.



15%
inventory reduction



5%
labor productivity gain

About ThroughPut Inc.

ThroughPut. is a Silicon Valley-based supply chain startup that puts industrial material flow on autopilot leveraging existing enterprise data. ThroughPut's software predicts demand, reorients production capacity, reassigns warehouse space, and reorders materials just-in-time, so businesses minimize overpromising & under-delivering. On a single "super-connector" software that sits on top of existing data architecture, ThroughPut improves material flow and free cash flow, across the entire end-to-end value chain 5 times faster than alternative solutions. The founding team is led by seasoned serial entrepreneurs with real-world operational experience, from the shop floor to the top floor, at leading Fortune 500 Industrial Companies & Enterprise Technology companies.

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