i2® The Supply Chain Company®

Slashing Barnes & Noble's Inventory by $13 Million

With more than 1 million titles in print and the typical store carrying only 160,000 books, Barnes & Noble needed to increase forecast accuracy to ensure that customers could find the books they wanted when they wanted them.

At the same time, tremendous competition in the book-selling market—coming from both brick-and-mortar and online booksellers—convinced Barnes & Noble executives that they needed to transform the business into a high-velocity enterprise if they were to compete in the ever-evolving marketplace.

"We were finding that over time we needed to get product to our stores quicker," said Joseph Giamelli, Barnes & Noble's Vice President and Chief Information Officer. "There was pressure to be in the market as quickly as possible, to increase supply to our customers."

Executives performed an evaluation of the company's value chain and decided they needed to reduce inventory and cut distribution and transportation costs to maintain Barnes & Noble's competitive advantage.

Why i2?

After carefully scrutinizing solutions, Barnes & Noble chose i2 as a partner because it offered the most advanced value chain management solutions in the market.

i2 solutions enable retailers to merchandise, source, buy, move, and sell products with greater visibility and velocity across the value chain, delivering increased sales and profits, improved vendor performance, and reduced logistics costs.

"We chose i2, as I think most people choose any software company, because of the people that stand behind the product—and their ability to come close to you, to find out how you do your business, and to provide real business solutions," Giamelli said.

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Challenges
- Maintain competitive advantage by transforming the company into a high velocity enterprise
- Better meet customer demand by delivering product to stores faster
- Improve forecast accuracy

Solutions
- Consolidate orders to take advantage of supplier deals
- Optimize and consolidate loads
- Add velocity to the enterprise

Results
- Reduce inventory 30–40%
- Realized $4 million in annual savings
- Increased forecast accuracy to more than 85%

Company Description
Barnes & Noble is the largest bookseller in the United States, with $4.4 billion in annual sales. Barnes & Noble employs more than 32,000 booksellers in approxi-mately 900 stores in 49 states under the Barnes & Noble and B. Dalton names.

i2's Contribution

Barnes & Noble licensed several applications from the i2 Supply Chain Management™ (SCM) suite, including i2 Demand Planner,™ i2 Supply Chain Planner,™ i2 Demand Fulfillment,™ i2 Transportation Manager,™ and i2 Transportation Planner.™ The company began its implementation by focusing on "back list titles," which are books, such as *A Tale of Two Cities* and Nancy Drew titles, that stores typically carry at all times. i2 solutions are modeling Barnes & Noble's optimum inventory levels for the back list titles, including 80,000 SKUs in three distribution centers.

i2 solutions are also taking the guesswork out of forecasting. Barnes & Noble's forecasters can now rely on the information coming from Demand Planner instead of guessing which titles will be popular, as they had done in the past. By consolidating orders at the distribution centers, i2 solutions are enabling Barnes & Noble to take full advantage of vendor deals. In addition, i2 transportation solutions enable Barnes & Noble to optimize and consolidate loads.

Barnes & Noble's Results

Although still in the implementation process, Barnes & Noble anticipates that i2 solutions will add tremendous value to the enterprise, particularly in inventory reduction.

"By using the i2 products, we can actually reduce our inventory significantly. We think in our distribution center we can actually reduce it 30 to 40 percent."

—Joseph Giamelli, Vice President and Chief Information Officer

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"By using the i2 products, we can reduce our inventory. We think in our distribution center we can actually reduce it 30 to 40 percent," Giamelli said. "We will realize a one-time $13 million inventory reduction and $4 million in annual savings. Those are pretty significant figures."

Roughly 60 percent of Barnes & Noble's inventory comes through the company's distribution centers, with the rest sent directly to the stores from the publishers. By reducing the inventory in the distribution centers, Barnes & Noble can add more titles to the centers instead of to individual stores. By ordering books for the distribution centers, Barnes & Noble is able to leverage its buy and increase margins.

"By reducing inventory, we can bring more in," Giamelli said. "If we bring more product in, we can lower our overall costs."

Carrying less inventory will have spin-off effects for Barnes & Noble, including helping the company to better anticipate customer demands.

"One of the other elements that's really a byproduct of reducing our inventory and bringing product through the distribution center is that we can react very quickly to demand in our stores," Giamelli said. "So if things all of a sudden change, we can get product out there rapidly."

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