

SKU Management Business Case

SKU Management's Role in Cost Strategy

- Continuous pruning of less productive SKU's creates capacity for growth
- Reducing complexity cuts costs everywhere
- Higher SKU productivity vs. the competition enables us to outsell our competition
- Increasing volume/SKU allows the company to more effectively service customers
- Fewer, higher volume SKUs enable more effective forecasting and inventory management, which ultimately improves ROIC
- A "lighter load" of highly productive SKU's allows more rapid execution

Basic Principles of SKU Management

A SKU management program must:

- Be simple and easy to understand and administer
- Drive meaningful improvement over time
- Support growth of high performing SKU's
- Ensures tension against low performing SKU's
- Be flexible enough to meet SBU specific business dynamics
- Be fact-based and metric-driven
- Involve participative target setting, with commitment and accountability from the business.

SKU Management Dashboard

SKU Management Dashboard		FY20XX											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Category Name Category Owner	Total # of SKUs (Beginning of Month)												
	Total # of SKUs (End of Month)												
	# of Good SKUs (Beginning of Month)												
	# of Bad SKUs (Beginning of Month)												
	# of Good SKUs (End of Month)												
	# of Bad SKUs (End of Month)												
	Bad SKU Target												
	Gap to Target												
Aggregate Company Performance	Total # of SKUs (Beginning of Month)												
	Total # of SKUs (End of Month)												
	# of Good SKUs (Beginning of Month)												
	# of Bad SKUs (Beginning of Month)												
	# of Good SKUs (End of Month)												
	# of Bad SKUs (End of Month)												
	% of Good SKUs												

SKU Management Rules

Rule Type	Sample Rule Language
Establish specific hurdles	"A SKU must meet either the volume or the incremental profit hurdle to be considered a 'Good' SKU. Hurdle rates are defined for large brands (defined as X) and small brands (defined as X). For large brands, the hurdles are set at (X) for annual volume and (X) for annual incremental profit; for small brands, the hurdles are set at (X) for annual volume and (X) for annual incremental profit."
Establish ownership of results	"Business unit leaders and their teams are accountable for SKU performance by category. Supply chain planning managers within each category own the management process and drive the organization towards meeting the targets."
Establish specific annual targets and quarterly glide paths	"As part of the annual business planning process, categories set their proposed 'Bad SKU' targets and glide path as well as identifying action plans for each 'Bad' SKU. The Steering Committee will approve these by May 31."
Establish a specific 'Final Decision Maker' for approving SKU targets	"All SKU targets are approved by a SKU Steering Committee, which is led by the Director of Supply Chain Planning and chaired by the CFO"

Instructions:

This document forms the basis for a business case for a SKU management program.

- 1) Distribute this document to the project team tasked with creating the SKU management program.
- 2) Incorporate factors regarding the basic principles of SKU Management and its role in cost strategy into a business case.
- 3) Employ the SKU Management Dashboard to demonstrate the SKU management process.
- 4) Ensure that all SKU management rules are implemented in the process of designing the SKU management program.

Interested More on This Topic?

Contact Our Member Support Center at:

E: EXBD_Support@executiveboard.com

P: +1-866-913-2632