



## CASE STUDY: KOCH AIR

### Koch Air Keeps Inventory Flowing with Absolute Value Demand Planning

#### SITUATION

Based in Evansville, Indiana, Koch Air LLC is a leading U.S. HVAC distributor and one of the ten largest independent Carrier distributors in the country.

Koch Air maintains an extensive inventory of heating and air conditioning equipment, parts, and supplies in each of its ten Midwest branch locations. As Carrier's primary supplier in the region, Koch Air prides itself on having the right inventory in the right place at the right time to ensure its over 50,000 SKUs are never far from customers' job sites.

As the company grew over the last few years and added new branches, it became apparent they needed a better way to manage their inventory.

#### SOLUTION

Initially, they tried to enhance the existing ERP system by creating a variety of inventory analysis reports. However, this process became overwhelmingly labor-intensive as the company and its inventory grew.

After researching numerous options, Koch Air chose Absolute Value's Demand Planning solution. The system uses state-of-the-art algorithms and methodologies to combine demand planning and continuous inventory replenishment, integrated with existing ERP data. In addition to Demand Planning's rich functionality, Koch Air found the system's reasonable price and monthly billing format made it easy to try without a large up-front investment.

Some purchasing team members, who had relied for years on personal experience and reference to their ERP data to forecast product needs, were initially reluctant to engage with the software. However, the ability to drill down on information to understand system recommendations, and for the team to input their own industry or product-specific knowledge in the system provided peace of mind -- and even converted the biggest skeptics at the outset into the system's biggest fans today.



#### About Koch Air

**Location:**

Headquartered in Evansville, IN

**Industry:** HVAC

**Distribution Facilities:**

Indianapolis, Indianapolis East, Ft. Wayne, IN; Lexington, Louisville, Paducah, KY; Mount Vernon, IL; St. Louis, Fenton, MO

**SKUs:** Carries over 50,000 SKUs

**ERP System:** Prophet 21

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#### Demand Planning Benefits

Greater inventory visibility

Steady flow of product

Hub and Spoke capability

Dynamic reaction to changes in demand – the hard work is done for you

## RESULTS

### ADAPT QUICKLY TO...

- **Changes in the Environment**

According to Koch Air Vice President of Operations, Dan Cusic, Demand Planning enables exceptionally rapid calculations, which gives their purchasing operations much-needed speed. This was critical in the midst of the Coronavirus pandemic when the company experienced unusual buying patterns (due to increased home building and renovations) and product shortages at the same time.

"If you had told me two years ago that we would need to submit four months' worth of POs in one day, just to get in line with our vendor, I would've considered that an impossible task. Not only did we have to handle that type of situation repeatedly during COVID, but Absolute Value's Demand Planning enabled us to handle it well," says Cusic.

- **Changes in Demand**

When certain products suddenly experience record sales and turn "white-hot," Demand Planning picks up on these changes right away, increases product orders, and at the end of the month will change to a better fitting forecasting formula if the current one is no longer optimal.

"With our previous system, these sales spikes would likely not have been caught until we stocked out, and we would have lost all kinds of opportunities. The team would've had to catch all this manually – and that's just not humanly possible. With Demand Planning, the system reacts dynamically, suggests needed changes, and does the hard work for you," says Cusic.

### STEADY FLOW OF PRODUCT...

- **Between Hub and Spoke Locations**

Expanding from seven to ten stores over the last four years, the number of locations Koch Air has to source has increased, leading to some challenging inventory transfer situations. To address these issues, they implemented Demand Planning's hub and spoke capability.

The hub and spoke feature rolls the spoke warehouses' usage history up to a hub, giving it a larger usage pool and an increased data set, which results in a more accurate statistical forecast. This also helps to achieve vendor minimums and alleviate the problems associated with accurately forecasting sporadic or low volume items.

With their previous system they didn't even attempt a hub and spoke scenario as it would have been too time-consuming to manipulate the data, with too many manual processes required.



*"Instead of buying a month's worth of stock and then figuring out what to do with it, we now run Demand Planning's Suggested Orders, allowing us to shorten our order cycle. By placing smaller, more frequent orders with our primary vendor, they're able to get truckloads filled much faster throughout the month with products we actually need – enabling us to respond faster to changing customer demand."*

Dan Cusic

- Vice President of Operations, Koch Air