Vendor Managed Inventory (VMI) with World & E1

Southern New England User Group
October 17, 2008
Agenda

• Introductions
• VMI Vision
• What Is and Is Not VMI
• What you can do to get Started TODAY
• VMI Road Map
• Q&A
Your Vendor Managed Inventory
The Vision
The Market

• How do you believe that VMI will position you differently from your Competitors

• How will you deliver VMI to the Market

• Why does VMI add value for your Market
The VMI Vision

- What is Your Management's vision for VMI
  - Enhance Market Position with VMI
  - Provide Customer Value
  - Rapid Deployment of VMI strategy
  - Use Current Infrastructure to start VMI and then expand as required
  - Expand VMI from the first test Customer to entire customer base Quickly
What Is VMI
Design and Deploy Customer-specific Fulfillment and Logistics Services

**CUSTOMER**

- VMI Agreement
- Send Demand advice
- Send consumption advice
- Received items
- Pay on Sale

**Sales/DIST**

- VMI Agreement (with customer)
- Check inventory status
- Ship items

**MFG**

- Receive items
- MFG

**SUPPLIER**

- Order Materials
- Ship items

Reduce inventory carrying costs
Design and Deploy Customer-specific Fulfillment and Logistics Services

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Reduce inventory carrying costs
VENDOR MANAGED INVENTORY

• Vendor Managed Inventory (VMI) is a planning and management system in which the vendor is responsible for maintaining the customer’s inventory levels.

• Instead of the customer monitoring the sales and inventory for triggering replenishment orders, the vendor assumes responsibility for these activities.
VENDOR MANAGED INVENTORY

• Consignment inventory is an extension of the VMI program where the vendor places inventory at the customers location while retaining ownership of the inventory.

• Inventory payment is not made until the inventory is actually resold or consumed by the customer
BENEFITS OF VMI

• Relevance of forecasting
  – Using Different Models
  – Shorter Forecast Cycles

• Lower demand uncertainty
  – Sales Activity In Real Time

• Reduced inventory requirements
  – Balanced Inventory Supply/Demand

• Reduction of stock returns
  – Ship Only What Will Sell

• Improved customer retention
  – You Are In This Together
Customer Benefits

• Reduction in planning and ordering cost

• Reduction in stock-outs and overall inventory level

• Improved supplier service
Dual Benefits

• Reduction in data entry errors

• Better service to the end-consumer

• Forging alliances
CONSIGNMENT INVENTORY & OWNERSHIP TRANSFER MODELS

• Pay as sold (real-time)

• Pay as sold during a pre-defined period

• Ownership changes after a pre-defined period

• Order to order consignment
RISKS AND PITFALLS FOR VMI

- Cost of developing VMI system
- Invoicing problems
- Cash-flow problems
- Information availability / technology issues
- Promotion/Events
- Over/Obsolete stock
VMI Agreement
Forecasting An Agreement

- **Company Goals**
  - Units
    - Marketing
    - Planning
    - Manufacturing
    - Finance
  - Dollars
    - Finance
  - Fill Rate
    - Sales / Marketing
    - C Level
Key Points to be covered in VMI agreement

• What should be the level of consigned inventory?
• What is trigger for transfer of ownership? Is it real-time sales or period end sales?
• What is the Freight policy?
• What is the over/obsolete stock policy?
• Who holds responsibility for damaged or lost inventory?
• Who holds responsibility for slow moving inventory?
• What is the periodicity, content and mode of data interchange?
VMI Care and Feeding

• It is not a quick exercise
• It is Information Utilization
  – Duration between replenishment
  – Inventory Investment
  – Forecast / Sales
• Requires a Plan that both You and the Customer agree on.
  – Information Turnaround
  – Who Does What
  – Financial Responsibility
VMI Care and Feeding

- Requires **review** and adjustments at defined intervals
  - Cycle Count of Inventory
  - Information Flow Review
  - Sales / Forecast Adjustment
  - Retail Facings vs. Stock Room Availability
VMI Care and Feeding

- Must fit into the firm’s strategic and financial directions
  - What is our market objective
    - Product
    - Customer
  - What is our financial objectives for Inventory and Sales
    - From a company perspective
    - From a store perspective
VMI Road Map
VMI Road Map

• How efficiently will I need to get data to and from the customer to execute the plan
• What level of inventory am I willing to absorb on the customers shelves
• How long will it take for me to respond to a replenishment order
• How long does it take for me to manufacture products
• Can my present systems respond to the demands of expanded VMI
What you can do to get started TODAY
What you can do to get Started TODAY

• JDE World has the basic build block to start the process
  – Transfer Orders
  – Inventory Visibility
  – Sales and A/R
  – Inventory Counts

• Bar Code can support the process

• Training

• To be Fully Deployable you will need more
VMI Road Map

• Current Systems can get you started and assist in providing a test bed
• They will show the customer that you have the capability to execute VMI but to be successful you will need to demonstrate Ease Of Use and Ease Of Implementation
• More current technology will be required to expend VMI
  – Customer Self Service Portals
  – WEB Based Access (both for information and reporting)
  – Excel Uploads and Downloads (reduce data entry requirement for some customers locations)
  – Work Flow
  – Email notification to keep Customer informed on shipment and Shipment Changes
Sample VMI Road Map

- **Current Footprint**
  - Foundation
  - Financials
  - Distribution
  - Manufacturing

- **Upgrade VMI Footprint**
  - System Foundation
  - Technical Foundation
  - Additional Financial Capability
  - Sales Order Processing Enhanced
  - Inventory
  - Add Customer Self Service
  - Add Internal Users
  - UPK
• VMI Vision
• What Is and Is Not VMI
• What you can do to get Started TODAY
• VMI Road Map
Q&A
After you receive the goods on a purchase order, you must record the details of the receipt. The system uses receipt information to:

- Update item quantities and costs in the Inventory Management system.
- Update general ledger accounts.

When you receive goods, you must verify that the details of the receipt correspond to the information on the purchase order. You must verify item numbers, quantities, units of measure, costs, and so forth. If the receipt details differ from those on the purchase order, you must adjust the purchase order detail lines to reflect the receipt. For example, if landed costs, such as delivery charges or import taxes, apply to the item’s purchase price, you enter these costs for the order during the receipt process.

Each time you receive an order, the system:

- Creates a receipt record in the Purchase Order Receiver File table.
- Updates item quantities and costs in the Item Location File table.
- Adds a new record to the Item Ledger File table.
- Updates the appropriate accounts in the Account Ledger table.

Each time you cancel or reverse a receipt, the system updates the same tables that were updated when you entered the original receipt.
Workflow: Automating Business Processes

- Leverage Standard Workflow Templates
- Graphical Tool for Building / Modifying Workflows
- Integrates with standard email (Outlook, Lotus Notes etc.)
The credit limit for customer 3C04 Pacific Company was changed from 20000 to 28000.00 on 4/16/98 by Edwards, J.D. & Company. Your approval is required for this change to be effective.
Grid Import/Export

Export to or Import from Excel or Word
Grid Customization Example

<table>
<thead>
<tr>
<th>Order Number</th>
<th>Order Co</th>
<th>Item Number</th>
<th>Hold Code</th>
<th>Sold To</th>
<th>Sold To Name</th>
<th>Quantity</th>
<th>UOM</th>
<th>2nd Item Number</th>
<th>Description 1</th>
<th>Amount</th>
<th>Date</th>
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</tr>
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Grid Formats
- Highlight columns
- Fonts / Color
- Field width/sequence
- Sort Order
- User, Role, Public
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Media Object Attachments

**Attachments**
- attach multiple files to any row

- URLs/Web Sites,
- Text
- Pictures
- Autocad drawings
- Scanned files
- Video - training
- Audio
- Spreadsheets
- Word documents
- OLE Objects
- etc
Query by Example

• "on the fly" queries
• <, >, =, operators
• combine criteria
• wild card
• avoid reports

Save frequently used queries
Design and Deploy Customer-specific Fulfillment and Logistics Services

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Sales/DIST
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- Check inventory status
- Ship items
- Receive items
- VMI Reconciliation

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