Park City Group Vendor Managed Inventory (VMI) vs. Spreadsheets

VMI Automation: Keeping Up With Change

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INTRODUCTION: TYPEWRITERS & SPREADSHEETS

Remember typewriters? If you're under age 30, you may have seen these relics in design museums or antique shops, but how many people do you know who still use one for typing? While typewriters may still be in use by a few hardboiled novelists, old school columnists and technophobes, you're more likely to find one on a shelf as an objet d'art than on a desk as an actual writing tool. Eventually, as we all know, word processing eclipsed typewriters, turning them into a fading memory.

The same might be said of using a spreadsheet for supply chain planning. Say you're a supplier with just one retail trading partner. You've been providing the retailer with your products for decades. Sales are steady year after year, so forecasting is a straightforward exercise. Your business is uncomplicated, sort of like churning out a personal note on an old typewriter. For your supply chain planning, a spreadsheet will do the job…or will it?

AUTOMATION OF THE VMI PLANNING PROCESS

But let's say you're expanding your business. Maybe a new retailer has come to you, asking whether you can fill orders on a national scale. Maybe your product line is changing: instead of one-size-fits-all, competitors are building his and hers – in kids' sizes too. Plus, your products now come in a rainbow of colors. Instead of one trading partner, you have many. And instead of one simple product, you're producing dozens – maybe hundreds – of SKUs.

Now, let's say your primary retail trading partner hops aboard the vendor managed inventory (VMI) bandwagon: like so many other retailers, they're pressuring their suppliers to take responsibility for inventory management. In other words, you now have more products than ever before, a variety of customers – and it's your job to forecast sales, recommend and fill orders, plan the shipping and take responsibility (and financial hits) for both under-stocks and overstocks. Ship too much and you're saddled with excess inventory. Ship too little and face expensive expediting costs.

Your retail partners send you 852 transmissions – historical sales data. You'll have to interpret that data to help plan your customers' orders. And you'd better get it right. After all, if you don't, you're responsible! Oh, and one more thing: no two retailers are alike. Each has its own method of transmitting data, of talking about its products and customers, of receiving shipments, of introducing promotions, etc.

Still think you can get the job done on a spreadsheet? Maybe you can in the short-term, but since spreadsheets don't scale with your business, your supply chain planning won't be nearly as efficient or as accurate as an automated system. And of course spreadsheets have no inherent logic. They cannot intelligently predict demand. They cannot help to plan a full truck load. They can only contain the numbers you key in. So, even once trading partners' 852 transmissions are entered, someone will still have to plan every single exchange – a time-consuming and repetitive job.

WHY VMI? THE KEY BENEFITS

As typewriters gave way to computers, spreadsheets are giving way to sophisticated automated systems that use 852 data to make accurate forecasts, build truck loads and manage inventory planning faster and better than can be done manually. The reasons to automate the VMI process are varied across industries, but some key motivators seem to ring true for all:

- Improve forecast accuracy, days of supply and service level
- Allows planners to focus on value-added customer service instead of Excel formulas
- Provide improved visibility into your own DC inventory levels
- Provide statistical forecasting for systematic planning of promotions, new item introductions, ABC analysis and seasonal trends
- Improve supplier reputation within the retailer community
- Maximize shipping efficiency by automatically generating orders that meet shipping constraints, such as weight, cube and pallets

Park City Group specializes in the consumer packaged goods and retail markets, and has been providing them with VMI solutions 10+ years. This expertise has been passed on to our customers by way of our VMI solution. Read on to see some phenomenal results.

RUSSELL STOVER: IMPROVE ORDERING, REPLENISHMENT & ELIMINATE OUT OF STOCKS

Chocolate maker **Russell Stover Candies** recently implemented Park City Group's VMI solution to streamline its ordering and replenishment process and help eliminate stock outs at the store shelf. "In the past, we used a forecasting system that made predicting seasonal demand a challenge," said Stacey Churchill, VMI Manager for Russell Stover. "With Park City Group's VMI program, our forecasting accuracy has greatly improved and we've seen a significant decrease in out of stocks, especially during key holiday seasons."

Before Park City Group VMI, Russell Stover received 852 data from McLane, an industry leader in distribution, and exported it into an Excel spreadsheet. Analysts would then compare 13 weeks of prior product movement to the same 13-week period the year before. While the system was better than nothing, Russell Stover had a difficult time getting the right amount of candies to store shelves.

"Excel spreadsheets can't predict demand," said Churchill. Especially for perishable items such as chocolate, an accurate order is the most vital part of the process. If an insufficient amount of product is sent to retailers, they could quickly run out of candies. And since replenishment can take weeks, there would be no time to order additional chocolates before the end of the season.

That's why Park City Group VMI – which provides exceptions in addition to identifying and tracking seasonal changes and other trends – is so valuable to Russell Stover. Park City Group VMI enables Russell Stover to accurately predict future demand, adjust replenishment based on forecasts and manage inventory far more effectively than ever.

WELL DAIRY: GAINING A STRATEGIC ADVANTAGE

Without supply chain solutions to help anticipate future demand, the ordering process can turn into a guessing game with only previous years' sales data to gauge how much to order. Unfortunately, Excel spreadsheets can't predict demand. Seasonal promotions and sales can change shopping behavior from year to year, and if all parties are not in the loop on planned promotions, the forecast won't reflect this potential sales increase.

That's one reason why **Wells Dairy Inc.**, nation's fourth largest family-owned dairy, uses Park City Group VMI. "When one of our significant business partners approached us about participating in VMI, we saw it as an opportunity to forge a stronger relationship with them," said Mike Kooistra, Director of Information Services at Wells' Dairy.

"Park City Group's VMI solution will allow us to take more control of ordering and replenishment, avoid lost sales, and provide higher service levels to our customers." With Park City Group VMI, Wells' Dairy can stratify its products at the distribution center level and prioritize each product for each customer. That's because the powerful software allows analysts to create a fulfillment plan for each item and for each trading partner. The program enables Wells' Dairy to analyze each forecast and determine the corresponding need for raw materials. This significantly improves lead time and service levels. And when Well's engages in VMI with other trading partners, Park City Group gives them the ability to scale while still adhering to each retailer's specific business rules.

SUNNY DELIGHT: INCREASING SERVICE LEVELS

With Park City Group VMI, juice maker **Sunny Delight Beverages Co.** is enjoying best-of-class technology and extremely high service levels, and is now introducing new trading partners and distribution centers at will. Since the Park City Group system contains pre-defined retailer roadmaps, which allow for direct import of trading partner data, Sunny Delight was up and running with Park City Group in no time.

According to Sunny D, combining orders and using Park City Group's truck fill/truck building logic has reduced days of supply at all accounts, while allowing planners to focus on value-added customer service, increasing service levels to 95%–100%.

PENTEL: INCREASING SERVICE LEVELS, REDUCING RETURNS

Pentel of America was managing its McLane business manually and the process went something like this: Pentel would suggest an order to McLane, based on 852 movement data. Pentel also accessed movement data from Wal-Mart through RetailLink®. Pentel would take the information from both sources, cut and paste it into a spreadsheet, generate a consolidated order, and hope for the best.

The process was challenging. For one thing, product configurations didn't match up. Pentel packages its products in cartons. Once it got to McLane's warehouses, it would be removed from the cartons and re-configured for shipping to Wal-Mart. It was often difficult for Pentel to reconcile what they shipped to McLane with what McLane shipped to Wal-Mart with what Wal-Mart sold ... you get the picture.

Pentel can now also take suggested orders from Park City Group, McLane, Wal-Mart, and its own

analysts; load that data into the Park City Group system; and generate a more accurate order — down to which items should be shipped to which DCs. Pentel can easily adjust orders when they have delivery issues or other manufacturing delays.

Another challenge: McLane has 17 different distribution centers located throughout the U.S. Because they weren't sure what product was going to be needed where, Pentel shipped all McLane orders to their DCs at the same time, even though some are located closer to the manufacturing facilities and docks than others. It would be far better for Pentel to stagger shipments, especially during back to school season, the busiest season of the year. With the Park City Group system Pentel can load a week of data so they can see the daily impact of orders against inventory — a view that helps the company stagger shipments to its DCs.

Better visibility into data; the ability to compare orders and note exceptions; the flexibility to change orders on the fly - all these Park City Group capabilities have enabled Pentel to reduce out of stocks, ship product more efficiently, and reduce returns.

Since going live with Park City Group, Pentel has significantly reduced its returns. And smaller returns minimize conflicts between trading partners, thus ensuring a better relationship with McLane. As a result, McLane has confidence in Pentel's ability to manage the VMI program and keep Pentel products on Wal-Mart's shelves. And this has given them an industry reputation as a trusted VMI trading partner.

KEEPING UP WITH CHANGE

Spreadsheets, like typewriters, may still be useful for some tasks, but not VMI. But when a proven new technology offers speed, accuracy, ease of use and phenomenal intelligence, users who want to stay competitive will quickly abandon the relics of a simpler age in favor of a new tool that simply does a better job.

For more information on Park City Group VMI, visit www.parkcitygroup.com.