

How to Determine if a Vendor Managed Inventory System is Right for You

Inventory Management – More Than Filling Bins

Today's manufacturers are looking to streamline their supply chain, enhance collaboration internally and externally and align business objectives to increase bottom line results. But often what is found inside a production facility is inventory being managed haphazardly and bins being filled up unnecessarily. Imagine if one of your pans holds 500 fasteners and you use only 30 each month and that pan is constantly being refilled before it is empty. With this method, your inventory is being filled based on stock instead of your actual need. This is an inefficient, costly and inaccurate method of inventory management. Your company is ultimately burdened with excess overhead and wasted inventory space.

What is VMI? Managing Inventory – Managing Risk

Vendor-managed inventory (VMI) is an inventory-management system in which your supplier of a product shoulders lead responsibility for maintaining an agreed-upon inventory of product, usually at your location. It's an outside party with a vested interest managing your inventory, fulfillment and your risk.

Five advantages of letting someone else manage your inventory:

1. Significant reduction of inventory/increased turns, **freeing up capital** for other expenditures, such as expansion of business, hiring, etc.
2. Establishment of a completely reliable **single supply source** of products or materials that are crucial to a company's operations but embody a smaller capital investment
3. Freeing up skilled personnel for higher-ROI tasks
4. Reduction of administrative costs and data entry errors
5. Reduction of product shortages, back-orders, stock-outs

Is My Production Facility Ready for a VMI Solution?

Switching to a VMI solution needs careful consideration to determine if it's the right solution for your facility. The following questions can help you uncover some areas where you may realize significant improvement with a VMI solution:

- Do we work with multiple suppliers? Is that efficient?
- Do we have problems with part numbers?
- Has our inventory supply been a problem in past?
- Is our current system successful?
- Could we use more floor space?
- What would we do with extra floor space?
- What is the capacity of our engineers?
- Do we ever run out of parts and why?
- Can I reduce my current costs?

Selecting a Qualified Vendor

When selecting the right inventory management partner, clarity of information for both parties is critical. An efficient supply chain process relies on an effective method of 1) listening to customer's needs, 2) defining a flexible solution and, 3) continuously delivering to the program objectives. A qualified vendor knows the right questions to ask and then listens to the answers to fully understand your usage and forecast.

According to a Best Practices article in *Industry Week*, companies need to use technology to cut the right costs. In the author's words "cut the fat, not the limb". **Three areas to cut costs directly related to a solid VMI solution** are as follows:

Excess Inventory - Using VMI can assure sound purchasing decisions because actual inventory is synchronized to what's been recorded. Proper data is critical to knowing exactly what you have and then comparing it to sales forecasts

Manual Processes - It's a fact that manual processes lead to mistakes and wasted time. A VMI solution utilizing advanced technology can help automate your inventory processes and streamline operations.

Supply Chain Weak Links - Significant opportunities exist for both suppliers and buyers utilizing a solid VMI solution. Collaboration results in leveraged costs and accurate inventory management improving efficiencies and increasing bottom line results.

About Trinity Inventory Management

Headquartered in Davenport, Iowa, Trinity's management team boasts more than a century of experience in the fastener industry. Trinity specializes in the supply of standard and custom components through catalog distribution, customized inventory management programs and product delivery services.

Through effective inventory management, Trinity's solutions allow for customization to each customer's specifications and needs. Far from offering a one-size-fits-all product, Trinity's motto describes the way it does business: "We listen. We define. We deliver." Utilizing industry leading technology, Trinity improves the flow of products, services and information across the supply chain resulting in excellence in operations.

Trinity VMI Program Benefits:

- Transfer your assumption of risk
- Reduction of your overall labor costs, transaction costs, and excess inventory
- Improved throughput
- Increased facility space
- Flexible daily, weekly, bi-monthly or monthly restock visits
- Emergency and shipment escalation services
- Hardware, packaging operations, and inventory management through a single company
- Streamlined process with one invoice
- Free consultation with no obligation to you

At Trinity, we leverage our distribution and supply chain services to help customers optimize a demand driven just-in-time material management program in their production facility. We manage a wide range of industrial products

and our supply chain model provides a seamless link between customer and supplier. Trinity uses the Oracle eBusiness Suite to achieve lean procurement and a demand driven VMI process that is collaborative and achieves maximum efficiency. Our solution provides real-time information, and supply chain exception-based alerts to manage an effective VMI process. Operating in real-time mode, our supply management buyer workstation and supplier self-service portal help transition VMI processes from "push" to "pull" consumption-based replenishment models. These collaboration portals dramatically improve VMI processes by placing critical supply chain information in the hands of buyers and suppliers in real-time.

We know that an accurate picture of demand is required for success. We provide a continuous and tightly integrated process that gives us the ability to better predict demand but to also understand, communicate, shape, sense, and quickly respond to order and projected demand. We can easily capture order replenishment requirements via a quick scan of a bar code, through an EDI transaction or traditional order entry methods. Trinity uses a combination of methods to determine the projected demand. We can use EDI forecast transactions, statistical analysis of historical usage and MRP calculations.

Contact Trinity to learn more about Trinity's custom programs to fit your unique needs

For your FREE inventory management consultation, contact Trinity today at **1.888.232.1010**. Visit us online at www.TrinitySCS.com

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