



Find the Right Partner: *Selecting a VMI Provider*



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Executive Summary

In your business, you have a multitude of buy-sell relationships. Wouldn't having a **partner** be more efficient and beneficial? With a Vendor Managed Inventory (VMI) program, you can have just that. There are a variety of benefits to utilizing a VMI program, aside from having a close relationship with your supplier, such as forecasting, saving money, inventory management and more.

What is VMI?

VMI, or Vendor Managed Inventory, is an inventory replenishment arrangement whereby the supplier either monitors the customer's inventory with its own employees or receives stock information from the customer.

There are two types of VMI:

- **Consigned Inventory:** The supplier owns the inventory, keeps track of how much inventory the customer uses, bills them for the used inventory and replenishes the inventory to agreed upon stock levels.
- **Non-consigned Inventory:** The customer owns the inventory. Each shipment from the supplier is essentially a sales order.

Not all parts qualify to be implemented into a VMI program. Parts that are essential to run a business and are used every month would be a good fit for the program. Parts that are only used sporadically would not typically be a good part to incorporate into a VMI program. The goal of VMI is to turn inventory 12 times per year at the customer's location and maintain stock levels for all parts.

 *Find the right mix of parts for your VMI program*



Benefits of Utilizing a VMI Program

If you're running an MRP (Materials Resource Planning) program to replenish inventory and your bill of materials is not 100%, here is where a VMI program can really solve some headaches!

 *Predict your future needs*

1. *Forecasting.* VMI partners assist the customer in determining their future inventory needs. Having an accurate forecast and the appropriate safety stock levels will allow the customer to have inventory on-hand when it is needed, without having too much inventory that it costs the customer valuable space. There will be fewer stock-outs and shortages with a VMI program. Typically customers should expect to be 98% in stock at their plant at any given point in time.

 *Eliminate minimums and maximize efficiencies*

2. *Consolidation of Services.* Customers are able to take advantage of not having a minimum buy quantity. VMI also allows customers to have one bill, one order and one freight cost. This will smooth out the ebb and flow of product shipments as the VMI program will provide consistency.

 *Spend more staff time on other value-add services*

3. *Save Money.* The combination of forecasting and reporting allows purchasing staff to spend their time and energy on other tasks. This process will also decrease the number of rush orders and save money on the cost of expedited shipping. With consigned inventory, customers are not carrying inventory on their books and their money is not spent until the parts are used.

 *Know your product performance*

4. *Inventory Management.* Customers will receive reports on how each part in the program is performing. If there are parts that do not perform, they should be removed from the program.



 *Find the best fit
for your business*

 *Use available
technologies to your
advantage*

 *Analyze, review
and improve.*

5. *Customizable Options.* There are a variety of options for product replacement that can be altered based on the customer's needs. An alternative to bins that are typically used is a vending machine with products housed within the machine. This is frequently used with MRO consumables. This technique allows customers the ability to see who is using more of a certain product and address the issue to cut down on costs. Lockers can be used in a similar manner for high value items.
6. *Use of Technology.* Typically, barcodes and scanners are used in a VMI program to allow the supplier to know when and how much inventory is being used. The same part could be in multiple locations with different barcodes to signify how quickly inventory is used in one location in comparison another. When a part is consumed, the label is scanned and the information is electronically transmitted to the supplier to replenish.
7. *Program Reviews.* A good VMI program depends on having a good partner that regularly provides audits on stock performance. Parts should be in movement, meaning that parts should come on and go off the program, matching production changes. Box quantities, minimum stock levels and parts usage should be reviewed regularly and react to the changes in your business. VMI is not a set it and forget it program, a good provider shares in the decisions to improve your program.

A Vendor Managed Inventory program can greatly benefit your business in a number of ways but it is important to find the best VMI program for your business. With VMI, you are not just getting a supplier, you are getting a partner.



The Austin Advantage

VMI programs have been in effect for a long time, typically used for fasteners. Austin Hardware offers a Vendor Managed Inventory program that is the first of its kind for lock and latch hardware.

The forecasting tool used at Austin is state-of-the-art with 18 different models, which analyze the customer's parts and quantities. The Austin team is the differentiating factor from other VMI programs. At Austin, a review of the data and parts within the program is done every few weeks and a full audit is done quarterly to make necessary adjustments.

In addition to the wide array of competitive advantages with Austin Hardware's VMI program, additional services provided are in-house engineering expertise, a custom kitting program and a tool repair program.

About Austin Hardware & Supply, Inc.

Austin Hardware & Supply is a wholesale distributor of specialty industrial and vehicular hardware with ten locations throughout the U.S. Since 1960, Austin Hardware has been providing innovative hardware solutions with top-quality parts, extensive inventory, fast and accurate shipping, VMI options and competitive prices — all supported by experienced, professional customer service dedicated to each customer's success.

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