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POS Data Sharing and VMI: Optimizing Inventories through Collaboration

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Agenda

- Who is Telema and why are we talking?
- Supply chain management dilemma
- What is VMI?
- Benefits of VMI: case study
- VMI in the Baltics: first steps and users' experiences
- How to spread this magic?

Telema AS

- Leading EDI operator in Baltics – 1000+ suppliers, 3000+ shops, 9 million exchanged documents
- **Supporting clients' procurement and sales processes with IT-solutions**
- Main services
 - Telema EDI (electronic data interchange, e.g. orders and invoices)
 - Telema MMT (mobile sales solution)
 - Telema VMI (you're about to hear today)

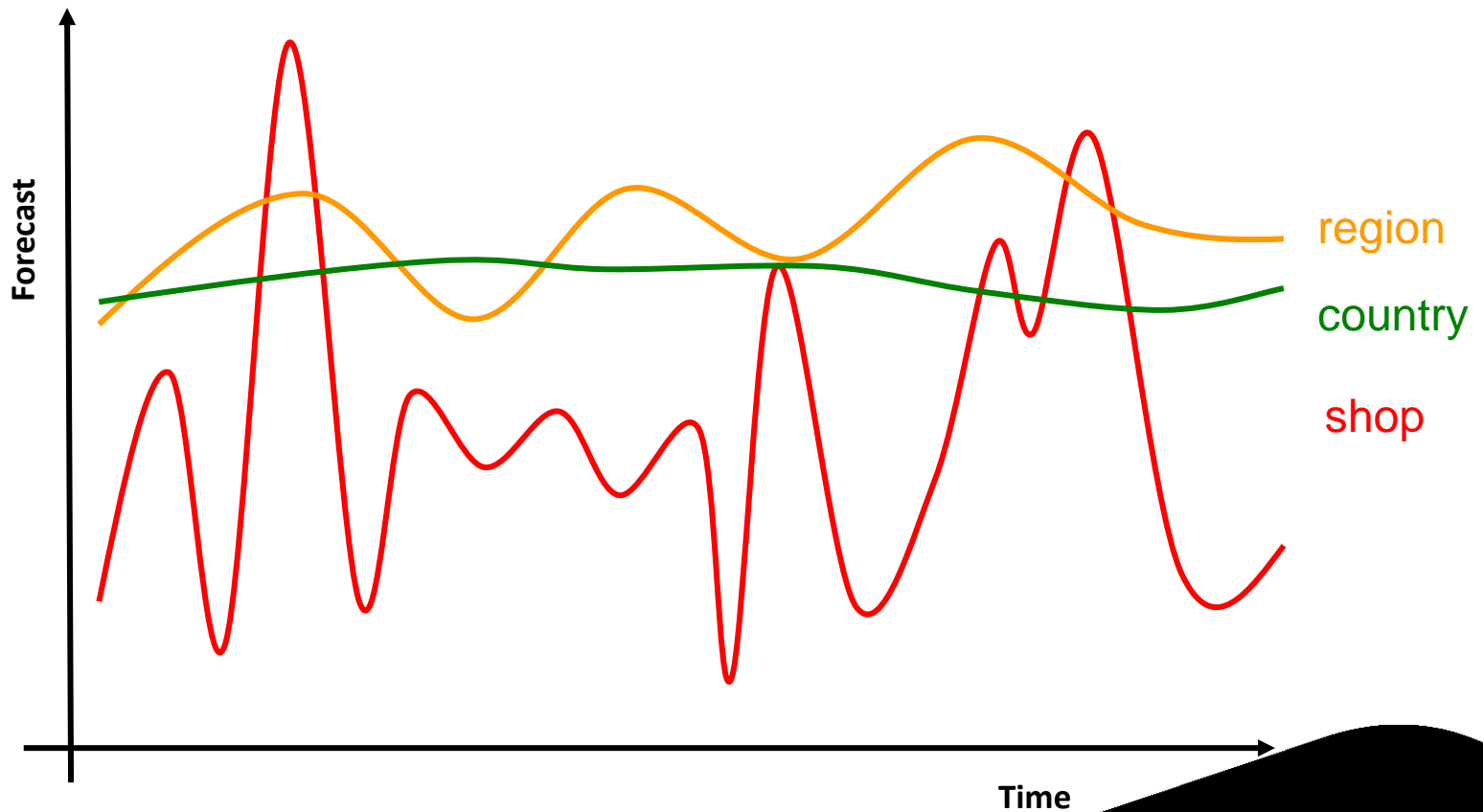
**To manage inventory
or to exchange information –
that is the question...**

Simultaneous deficit and excess

- How to find the right inventory balance?
- How to make consumers happy?



Forecast accuracy in a supply chain



Inventory Management Dilemma

- Ability to serve customers
- Keeping inventory costs as low as possible





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Replace inventory with information!

One of the solutions is VMI



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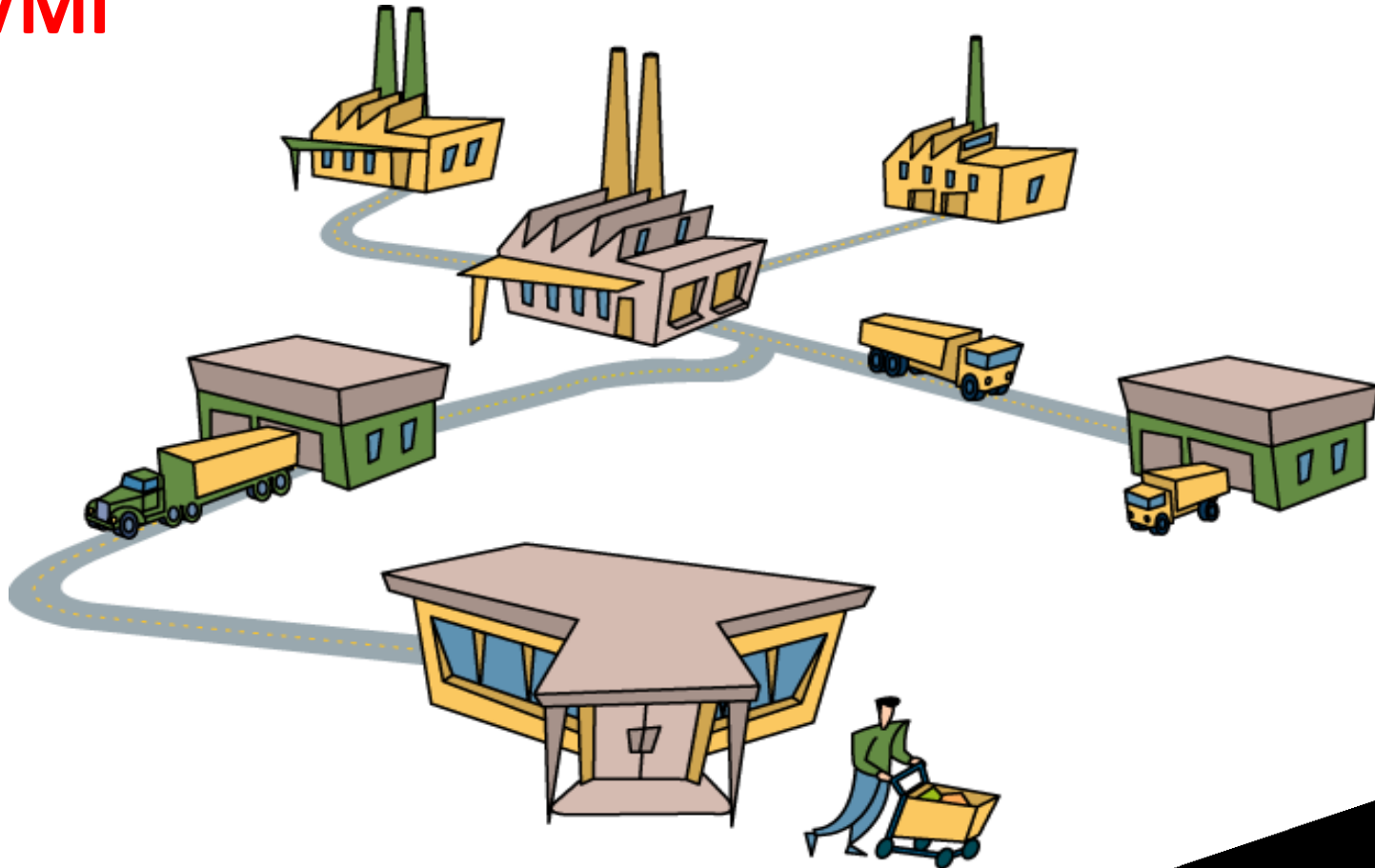
What is VMI?

- **Vendor Managed Inventory (VMI)** turns the classic ordering process upside-down: instead of buyer, the decision to replenish goods in the shop is done by the vendor (Supplier).
- In case of VMI, supplier has an overview of sales and balance of stock at the shop and makes the decision to refill.

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VMI



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VMI goals

- Increase the efficiency of the supply chain
 - trust and delivery assurance
- Reduce inventory level throughout the supply chain
- Raise service level = decrease stock-outs = **increase revenue**
- Decrease personnel costs
- Earn more profits both to buyers and suppliers



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How does VMI work?



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Benefits

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BUYER

- Optimized retail space productivity
- Less stock outs
- Decreased inventory level and cost
- Lower planning and procurement costs
- Better product availability, thus happier customers
- No product specific risk: supplier cannot “push” slowmoving items.

BOTH

- True collaboration between supplier and retailer
- Better service for the end consumer
- Released working capital
- EDI benefits
 - Faster data handling and processing
 - Less errors
 - Reduced processing costs

SUPPLIER

- More accurate forecasting
- Less mistakes in orders – few returns
- Supplier foresees the potential need for product earlier
- Daily promotional and campaign analysis
- Improved service level – better partnership

Results of using VMI

- Repetitive purchase activities eliminated (order preparation and sending costs decreased by 85%)
- Processing incorrect orders and returns reduced (cost savings 95%)
- Decreased inventory levels (40% to 50%)
- Increased inventory turns (from 3,1 to 5,5)
- Better customer-supplier business relationship.

Source: Intenia (www.intenia.com)

Case Study: VMI impact on company performance

- In 2006 Datalliance researched 156 VMI relationships (21 distributors and 10 suppliers). Average distributor had 5 DC-s and one supplier supplied for average 150 K dollars.
- KPIs before and after VMI were surveyd.
- Summary results:
 - 24% increase in revenues
 - 25% increase in inventory turns
 - 31% less stockouts
 - 54% of DCs improved both inventory turnover as well as service level

Telema VMI module enables supplier to:

- Get an overview of stock balance at the retailer
- To see:
 - sales of chosen period,
 - average daily sales and
 - “Days Sales outstanding” calculated based on the previous two.
- To sort out products that need to be delivered soon
- Find out products that have not been sold during a period
- Generate replenishment order
- Monitor inventory reports, sales reports and despatch advices

Buyer

KLICK EESTI AS

Delivery point

KLICK EESTI AS- KRISTINE

Choose period

Last 7 days



Search



Download

Stock

Documents

GTIN	Seller product code	Product	Product group	Stock	Min	Max	Unit	Covered days	Total sales	Average daily sales	Latest sales	Latest delivery
4003915050562	26326	Metz välk 50 AF-1 Nikon	1	1	1	2	TK	7	1	0.10	17.10.2012	
5410853040125	24907	Panasonic patarei LR03PPG/2B	1	21	6	24	TK	74	2	0.30	18.10.2012	
5410853039891	24906	Panasonic patarei LR6PPG/2B	1	12	6	24	TK	84	1	0.10	18.10.2012	
5019068085138	6230	Panasonic patarei CR2032/1B	1	10	5	20	TK	23	3	0.40	19.10.2012	
4907990205087	4267	Velbon statiiv CX-460	1	0	1	1	TK	0	1	0.10	20.10.2012	
5410853038979	24908	Panasonic patarei 6LR61PPG/1B 9V	1	6	5	12	TK	42	1	0.10	20.10.2012	
5019068085114	6304	Panasonic patarei CR2016/1B	1	6	2	10	TK	14	3	0.40	20.10.2012	
5019068083035	12493	Panasonic patarei LR44/1B	1	6	5	10	TK	21	2	0.30	20.10.2012	
5410853044840	27817	Panasonic patarei LR03EGE/2B	1	7	6	12	TK	25	2	0.30	21.10.2012	
4260087125430	27636	Odys MP3 mängija Vibe 4GB, must	1	2	1	2	TK		0	0.00		
5410853045243	28115	Panasonic aku Evolta 2050mAh P-6E/2B	1	11	5	12	TK		0	0.00		
4960371004624	8784	Tamron 18-200/3,5-6,3 DI II XR Canon	1	1	1	1	TK		0	0.00		
4960371004785	13002	Tamron 70-300/4,0-5,6 DI Canon	1	1	1	1	TK		0	0.00		
4960371005560	26828	Tamron 18-270/3,5-6,3 DI II VC PZD Canon	1	1	1	1	TK		0	0.00		
8024221517378	17006	Manfrotto 055XPROB statiiv	1	1	1	1	TK		0	0.00		
27075218420	30445	Pentax K-30 + DA 18-55 WR must	1		1	1	tk			0.00		
4003915044127	26799	Metz välk 44 AF-1 Canon	1	1	1	1	TK		0	0.00		
4003915044141	27536	Metz välk 44 AF-1 Nikon	1	1	1	1	TK		0	0.00		
8024221514148	27858	Manfrotto 190XPROB+804RC2	1	1	1	1	TK		0	0.00		
4960371004426	6005	Tamron 90/2,8 SP DI Macro Canon	1	1	1	1	TK		0	0.00		
5410853034568	9779	Panasonic aku NiMH 2600mAh P6P/2B	1	12	3	12	TK		0	0.00		
5410853038887	25336	Panasonic patarei LR20PPG/2B	1	4	3	12	TK		0	0.00		
027075214064	29778	Pentax Optio WG-2 must	1	2	1	2	TK		0	0.00		
5019068592568	6228	Panasonic patarei LRV08/1B	1	12	5	10	TK		0	0.00		
4960371005430	23820	Tamron 60/2 SP DI II Macro Nikon Motor	1	1	1	1	TK		0	0.00		
4003915050548	26325	Metz välk 50 AF-1 Canon	1	1	1	1	TK		0	0.00		

VMI and POS data sending in Estonia

- First VMI partnership already in **2001**
- Today
 - More than 425 delivery points are exchanging POS data
 - 8 ERP-s support Telema functionality
- By the end of 2012
 - 20 new clients with 270 shops will be functional

VMI summary

- The supply chain cannot exist without inventory
- Inventory should be kept at the beginning of the chain, not the end
- Information should be acquired and shared all over the supply chain
- Wealth is divided after earning
- **Information management is cheaper than inventories**

Constraints to doing VMI?

- Lack of trust in the supply chain
- Fear of losing control (information, processes)
- Not all products fit (eg. bulk candy, fruits...)
- Too many items in wholesale packaging
- Some products in POS systems not described in enough details (postcards, socks, related to GTIN missing)
- Deploy is perceived to be complicated

What is needed for success of VMI

- Paradigm change in the whole supply chain
- Commitment to change and continuous development
- Trust between the partners
 - Accurate information
 - Solving problems together
- Fast and clear information exchange – **vital usage of EDI**

How to spread this magic in the Baltics?

- A call to action
 - Spread the paradigm shift – get people loving the idea
 - Add more network members
 - Drive technological capability
- Trust and be trustworthy
 - Retailers should trust suppliers and send out POS data
 - Supplier need to live up to the standards with delivery assurance
- Encourage cooperation with IT firms to enable POS data sending functionality



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