



Vendor Managed Inventory

A Guide to VMI

This whitepaper is written by Clear Spider
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VMI Basics

Managing your clients' inventory can be challenging and costly if not done properly. But if done right, the rewards can be tremendous for both you and your clients.

What is VMI?

In the most simplistic fashion VMI is the process of counting a client's inventory or receiving an electronic feed that you compare to what the client should have on their shelves. If the quantity on hand is lower than the minimum required amount you place an order and ship the items back to get them to the maximum stocking amount. Working with a VMI consultant will allow you to obtain the benefits of a VMI program early and will help guide you through the various permutations and combinations available.

Where is VMI used?

Inventory stock locations, or anywhere a cycle count can be performed, or where POS (Point-of-Sales) and usage information is obtained.

Why do VMI?

VMI will reduce stockouts, it will improve inventory turns, it will help ensure better customer service, and it will save the customer money and will make the organization doing the VMI more valuable and will help them increase their sales as the same shelf dollars can now be spent over many more items.

8 Step Guide to Setting up VMI

1. Start using VMI by Understanding your Clients

Once you take on the responsibility and opportunity to manage your clients' inventory, start with understanding what your clients have in their warehouses, stocking closets or other remote locations. Make sure you have easy access to see what your clients have so you can replenish the right items at the right time.

2. Organize Inventory & Use Bar Codes

If the inventory site is not organized, start with shelving and putting items in their proper places, label items with bar codes, and apply bin or shelf labels for identification of smaller items. Additional detail or pictures on the labels makes finding items more quickly and accurately.

3. Count your Inventory

For expensive or fast moving items, a physical count (cycle count) is usually done. One option is to use a two-bin system – if the bin looks empty, dump its contents into the bin behind it, and order another bin. A second option is the one-bin system – items that look low are reordered to a predetermined quantity. The order quantity can be based on minimums/maximums, a re-order point, or days of usage.

4. Set Order Quantities

Determine optimum re-order points and order amounts by looking at historical data. Once you have some historical data, the inventory management system will show you the turns and the days of coverage for each item.

5. Gather Inventory Data

There are two ways to capture inventory information:

- Option A – WiFi: Online form on iPad or other tablets or laptops
- Option B – Data Collection Devices / Bluetooth Scanners

Choice of device depends upon the environment, how quickly the data needs to be stored and retrieved, as well as the cost for mobile technology. A more sophisticated option is to obtain POS (Point-of-Sales) data or usage data in the form of EDI (Electronic Data Interchange) transactions or an API (Application Programming Interface).

6. Store Inventory Data

The captured information is then sent to the inventory management system, either in real time if there is a cellular or Wi-Fi connection, or downloaded when a connection becomes available. Or if it is an API it is usually sent at a predetermined time on a daily basis.

7. Re-Plan

Run the re-plan engine to generate new orders from consumption and stocking parameters.

8. Order Creation

These orders can then be automatically uploaded to your in-house business system by API's, so they can be picked, packed, and shipped. Any ASN (Advance Shipping Notification) or information can be sent back to the inventory management system as well, in the case where your inventory is being managed by your supplier or a third party.

They can then acknowledge, receive the goods, or have the system do it automatically. The benefit of having a workflow engine means you can accommodate different processes or workflows for different clients and items.

About Clear Spider

Today, over 100,000 companies use Clear Spider on a daily basis.

Clear Spider is a web-based inventory management solution for companies to manage either their own inventory or the inventory of their customers and suppliers. There is no hardware or software installation, so deployment is quick.

Clear Spider is easy to learn, easy to use, and easy to maintain.

Visit Our Website: www.clearspider.com

Call us for a Quote: Toll-Free 1-855-90-CLEAR

