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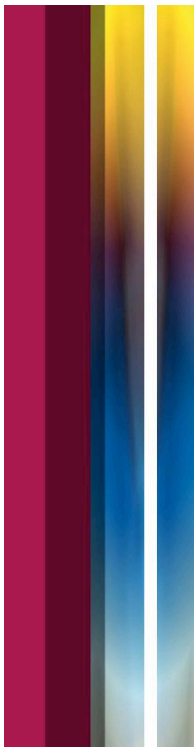
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BEST PRACTICE IN VMI— ECR EUROPE GUIDE

Hele Hammer, PhD



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Plan

- About presenter
- What is VMI
- How to make it happen in the Baltics
- ECR Europe VMI Handbook
- VMI Case: Coomor in Estonia -- by Indrek Lepik



About me

- Tallinn University of Technology (TTÜ)

–PhD in Economics 2003

- Amserv Group CFO 2004-2009

- Telema CEO from 2009

- Estonian Business School lecturer from 2000

- TTÜ Department of Logistics 2012

–Founder of Supply Chain Management master program



Telema



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What does Telema do?

Old School.



Highly Efficient.

vs.

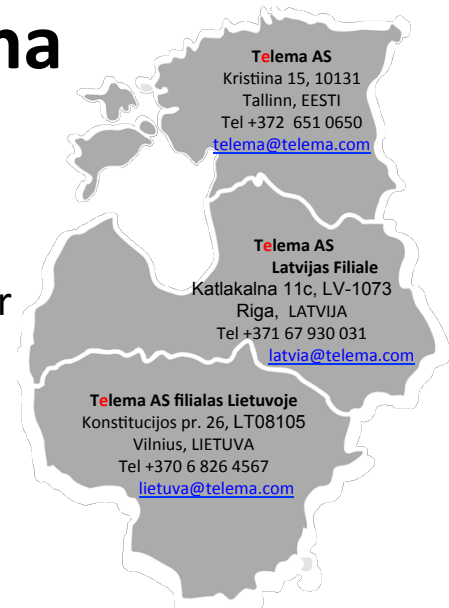


Telema is an EDI operator



6 facts about Telema

- Main market – EST, LAT, LIT
- 4 000 shops, 1 100 suppliers
- 14 000 000 EDI documents/year
- 35 employees
- 15 yrs experience
- **99,95% SLA**



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Telema

Right e-document, right time, right place.

Founded in 2012

Master program in Logistics with 3 majors:

- Transport planning
- Logistics
- **Supply Chain Management**

TTÜ

TTÜ LOGISTIKAINSTITUUT

- * LOGISTIKA
- * TRANSPORDIPLANEERIMINE
- * TARNEAHELATE JUHTIMINE

LOGISTIKA ON KOHA

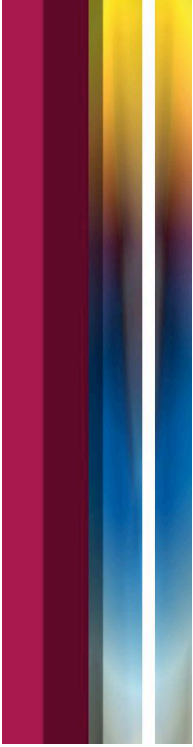
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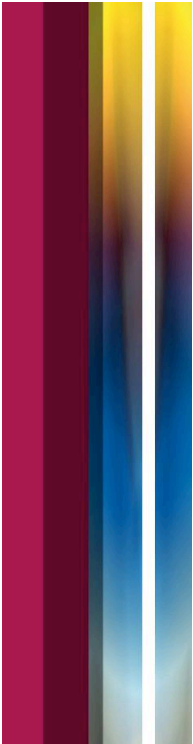
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LOGISTIKA ON KOHAL!



Supply Chain Challenges and VMI

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Problem 1: OOS = lost sales



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Problem 2: Inventory = Costs



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Potential Solution = VMI

- Today:
shops are ordering
- Tomorrow
No more ordering, vendor delivers according to agreed **min max** levels and **delivery frequency**: VMI

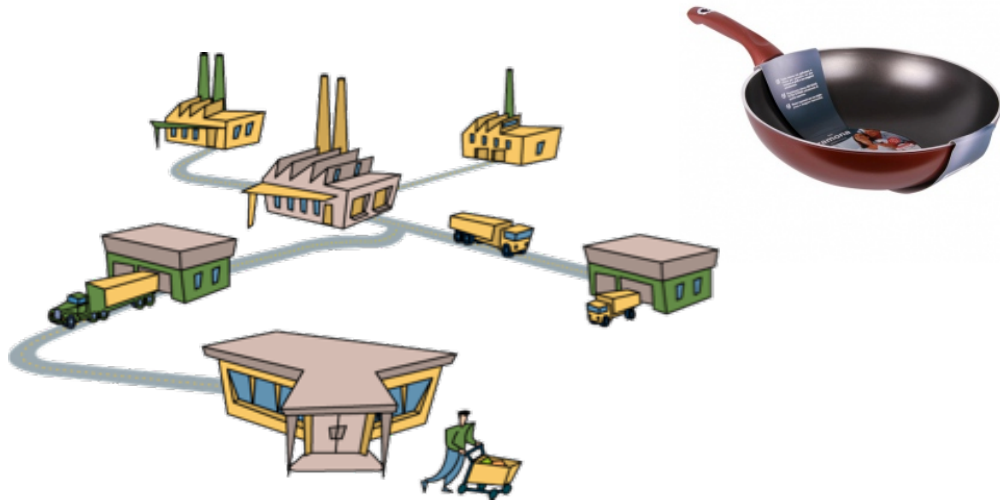


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How does VMI work?



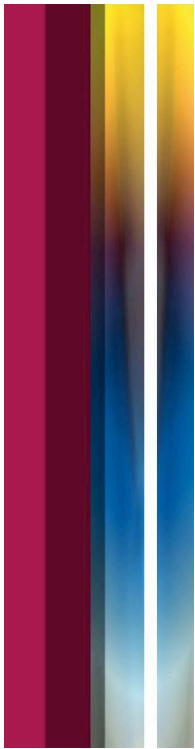
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Vendor Managed Inventory

- Vendor has the **right** and the **responsibility** to replenish sold products in shops



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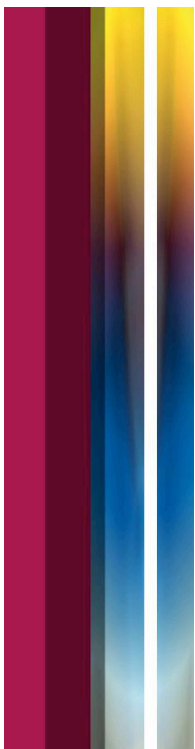
Business Case for VMI

- Increase in availability: **10 to 35%**
- Reduction in inventory levels: **15 to 40%**
(and related decrease in capital costs)
- Reduction in administrative costs: **5 to 20%**
- Decrease in product returns of **5 to 20%**

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Why is everybody
not using VMI
already?



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What is hindering VMI in Baltics?

We asked from seminar audience on
03.09 at Riga Food Fair



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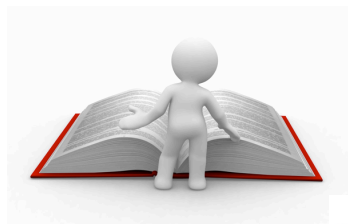


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What is hindering VMI in Baltics?

- no knowledge



- no technology



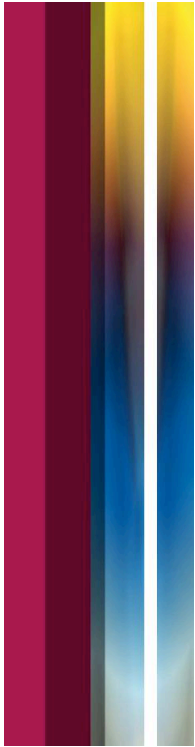
- no trust



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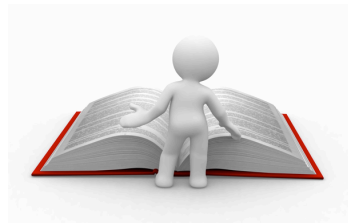


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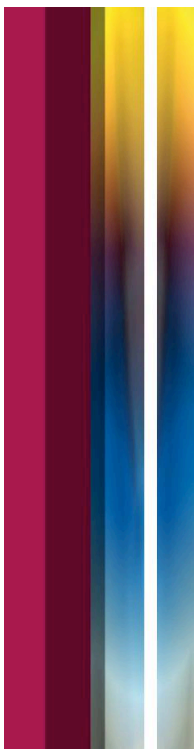
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Addressing the knowledge problem

ECR VMI Guide



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Project Members: local ECRs

- Austria
- Baltic States
- CR/Slovakia
- France
- Germany
- Greece
- Ireland
- Italy
- Poland
- Portugal
- Russia
- Spain
- Sweden
- Switzerland
- UK



**Project Academic Partner:
Tallinn University of Technology**



VMI Best Practice Guide- Contents

- VMI Project steps
 - Evaluate
 - Plan
 - ...
- Key Success Factors
- Performance Measurement and KPIs
- Appendices:
 - Sample VMI contract
 - VMI savings calculator
 - A “Quick Guide”



VMI project steps



Evaluate VMI business case

- Determine the gains of VMI (decreased inventory costs, increased revenues, etc.)
- Determine the costs of VMI (one-time investment and running costs)
- Use a savings calculator to calculate the net benefits of VMI, payback time and ROI.
- Present the business case to top management and obtain clear support and commitment.

Plan: team, schedule and resources

- Appoint a strong project manager and determine project organization.
- Compose the project time schedule: define clearly who, when and what should do.
- Make sure project team members have required skills. If not, involve external support.

Select target categories and products

- Determine which suppliers and products are suitable for VMI (depending on shelf life, delivery frequency, seasonality, origin, etc).
- Determine Min/Max quantities for each product and delivery units (full pallets/truck loads)
- Update and correct product master data if needed.

Agree on goals in VMI contract

- Specify common goals (eg, decrease in DOS by 20%) and rules for the joint project.
- Sign a VMI contract specifying KPI-s, service level, EDI messages, rules and responsibilities.

Align IT with business

- Analyse changes in business processes, modify and adjust.
- Map your new process flow, determine EDI messages to be used and channels to be built.
- Modify your IT system to support the new processes, choose, set up and test the VMI solution.

Rollout: pilot and onboard partners

- Communicate the project in both companies: involve key users, train all parties.
- Plan and execute go-live carefully.
- Pilot your VMI program well, make it a success story to “market” VMI internally and externally.
- To get the most out of the VMI project, select and implement additional VMI partnerships.



So...Addressing knowledge



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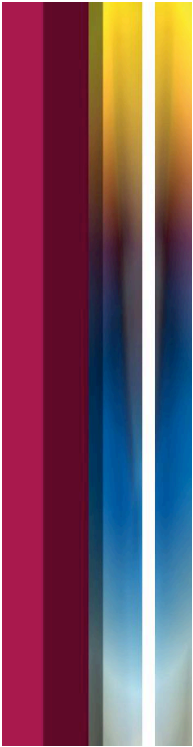


Addressing problem of technology

- Retailer POS system capability
- EDI for data interchange
- Vendor VMI solution
 - VMI modules (SAP, Directo, NAV, ...)
 - Many SaaS VMI services available



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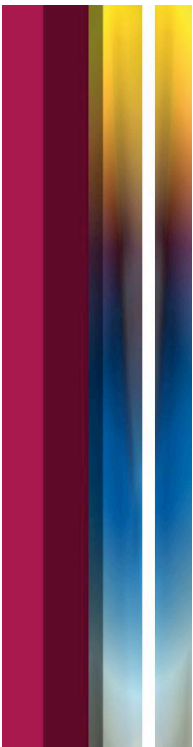
...and addressing problem of trust



- Do retailers believe in VMI as a tool for higher availability and optimal inventory?
- Do retailers believe in vendors' capability to make good replenishment decisions?



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... and

while we are waiting for “real” VMI to come

we realize that there has been and still is lots of
Vendor Managed Inventory
for the last 20 years in Baltics

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“Manual VMI”

- Sales Agents go and look, what has been sold and what is inventory balance
- Based on observation, they compose new orders for the retailer (using mobiles)
- Very often the retailer is happy to use those vendor-made orders



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Summary

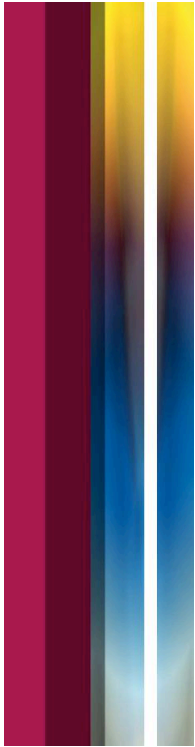
VMI has been proven as a useful tool for:

- increasing revenues (availability)
- decreasing costs (inventory)

There is technology, knowledge and trust needed

No project will ever be finished that never gets started

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Thank you!
Questions: hele.hammer@eesti.ee



Evangelizing collaboration in supply chain



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