



Canplas and Consolidated Supply Use VMI to Deliver Greater Value



Summary

- ▶ Datalliance VMI has helped Canplas consistently exceed their target fill rate of 98% and reduce order time and effort by up to 60%.
- ▶ Consolidated Supply VMI benefits have been an increase in turns of 30% and has dramatically decreased buyers time spent ordering Canplas products.
- ▶ VMI has strengthened the business relationship between Canplas and Consolidated Supply by providing business benefits for both.

VENDOR MANAGED INVENTORY
SUCCESS STORY

Canplas is a recognized leader in innovative product design, advanced injection molding processes, materials, and distribution for the residential and commercial plumbing industry. Consolidated Supply distributes plumbing and waterworks supplies to over 20 stores in four states in the western United States. Consolidated Supply and Canplas have been long-time business partners, mutually focused on customer service.

Ron Marsden, Canplas Vice President of Business Development, describes the importance of service in their business. "Most of the products we supply are more of a commodity, therefore, service is where we differentiate ourselves and bring greater value to our customers. The key to providing a high level of service is having the right products, at the right location, at the right time - particularly for a major wholesale distributor such as Consolidated Supply. Out of our 1000 available SKU's, Consolidated Supply purchases about 700. Forecasting demand for them is very challenging based on the large number of SKU's and market volatility."

The Inventory Challenge

Canplas' main challenge was that their forecast was not driven by real-time customer activity and demand. Marsden recalls, "Of course, we analyzed historical demand, talked to Consolidated Supply, and considered industry and economic forecasts and trends, but in the end we were creating a 'hit and miss' demand forecast. We were just making an educated guess at what our customer's would need. Our strategy was to carry a high level of inventory to cover customer demand fluctuations. This approach satisfied customer service objectives, but carrying extensive inventory is very expensive."

In the current economic climate, everyone throughout the entire Canplas supply chain wants to lower the cost of doing business. "The caveat for us is that any cost reduction must be done without impacting service levels," says Marsden. "Our objective was to find a better business process that would improve our working relationship with key wholesaler customers, such as Consolidated Supply."

Canplas Initiates VMI Program

After considering alternatives, Canplas determined that Vendor Managed Inventory (VMI) would deliver the process improvements they sought. They selected the Datalliance VMI service and worked with Consolidated Supply for their initial VMI program implementation.

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Ron Marsden
Vice President of Business Development
Canplas

VMI encourages continuous communication between Canplas and Consolidated Supply. "With VMI, we now see demand real-time, as it happens," praises Marsden. "In the past, we relied on customers to communicate what was going on and identify issues - then we had to react as best we could. Using VMI, we have the visibility to anticipate demand fluctuations and respond in a timely and cost-effective manner."

When we see unusual deviations in demand, we're proactive. The customer might have received a large contract and not even recognize the impact it will have on orders for our products and our related production and inventory planning. The advance notice provided by VMI gives us time to ramp up supply to them for either a specific time period or ongoing if the demand will be sustained."

Customer Service Targets Met While Inventory Reduced

Having better demand visibility and collaboration impacts a wide range of business metrics for Canplas. Marsden explains, "Datalliance VMI provides us with the information we need, and, most importantly, we have confidence in the information. It allows us to substantially reduce inventory levels, as our production activity is better aligned with real-time demand. While we are reducing inventory levels, we are maintaining our 98% fill rate target. Actually, we consistently exceed our fill rate target within our VMI-based business."



Improved Efficiency and Accuracy

Some of the greatest value for Canplas has been in the areas of process efficiency and order accuracy. "With Datalliance's software-as-a-service architecture, we have very little IT involvement," describes Marsden. "Unlike our previous forecasting system that required ongoing maintenance and support, our IT staff just doesn't have to do much with Datalliance VMI as it pretty much runs itself."

VMI has also helped Canplas reduce the time and effort required to support the order process. Marsden states, "Our old process was labor intensive; we'd enter data, verify information, and clarify any questions. Today, we simply authorize the VMI orders. Our overall time and effort is reduced by 50 – 60 %. VMI eliminates the human intervention that didn't add value and, as a result, increases order accuracy. Our people now spend more time on analytical activity and developing new business opportunities with customers."

Consolidated Supply also gains efficiencies, as they do not have to build detail replenishment orders for Canplas. VMI initiates the order, and Consolidated Supply is confident that orders are being placed for the products needed, when needed, to support their end-customer demand.

VMI helps Grow Business and Improve Profitability

Since VMI has taken away a majority of the order issues, Canplas and Consolidated Supply now have time to work together to increase sales. "We now do 'better' business with Consolidated Supply, as we proactively talk to them about products that could help them increase sales. We both have more time to discuss a broader scope of products that leads to increased sales – which is good for both of us."

Marsden concludes, "VMI has made us more profitable by helping us to increase sales and lower our cost of doing business. Reduced inventory levels, a streamlined order process, and improved service levels have all contributed to a successful start to our VMI program. We look forward to realizing the financial and relationship benefits with more of our key wholesalers as we expand our VMI program."

Stronger Collaboration Delivers Benefits

Rod Sanders, Manager Information Systems for Consolidated Supply, says "Customer service is critical for us. Our end-customers expect us to have the products that they need; if we don't have the products they need, we will lose their business. So, in turn we count on excellent customer service from Canplas to meet those needs."

"We shared a mutual interest in finding a more efficient and accurate way to do business. Canplas investigated the benefits of VMI and approached us to participate in their VMI program.

When we looked into it, we realized it was a good idea for us too."

Since Consolidated Supply buys such a high number of SKU's from Canplas, their buyers spent a lot of time managing that inventory. Prior to VMI, every day the buyer would review the suggested PO's for 16 branches, review accuracy, resolve any issues, verify that quantities are reasonable, and then determine if total order quantities would meet requirements to get the best freight rates. "Canplas orders consumed about 15% of our buyer's time," explains Sanders. "VMI has virtually eliminated this time.

Our buyers have gained confidence and are comfortable purchasing what Datalliance VMI recommends."

Sanders credits VMI with providing better alignment of end-customer demand, an improvement which allows more frequent, yet smaller shipments. He states, "VMI has improved our inventory turns by 30%. In the past, orders were less frequent, involved larger quantities and included some 'cushion' for safety stock.

With VMI, the entire process is leaner with orders tied directly to actual end-customer sales. The result is that we are providing the same high level of customer service that we are known for with lower inventory, higher inventory turns, and better alignment of our inventory with real customer demand."

"We now prefer to do business with suppliers that use VMI," states Sanders. "We are more inclined to do VMI with other suppliers, especially if they are using Datalliance VMI and not an in-house system or another commercial system that is not proven in the plumbing industry. With Canplas and Datalliance, we have spent time building trust in the process, formulas, and the overall integrity of the system. Datalliance knows what they are doing, and they focus on the business of VMI every day. They are the industry experts and it would be hard to build the level of trust that we have developed with Datalliance with any other VMI system."

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Consolidated Supply

About Datalliance

Datalliance is the world's largest independent VMI service provider. Delivered as a managed service via the Internet using the "Software as a Service" (SaaS) model, Datalliance VMI makes it easy for suppliers and their customers to establish effective VMI relationships that fully align business objectives, improve collaboration, and streamline supply chain operations. For more information about Datalliance and VMI, please visit: www.datalliance.com.



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