



E1 Entertainment Uses VMI to Grow Retail Business



Summary

- ▶ E1 Entertainment, Canada's largest distributor of independent music and video, was looking for ways to increase sales volume through expanded retail channels.
- ▶ E1 Entertainment determined that Datalliance VMI would benefit them and their retail partners.
- ▶ VMI has gained the confidence of retailers, giving E1 Entertainment more shelf space and increasing sales.

E1 Entertainment Ltd. (E1 Entertainment) is a leading international independent entertainment business operating in Canada, the UK, Holland, Belgium and the United States. The company owns physical distribution channels to retailers in territories and media where it can capture additional margin and improve delivery of products to consumers. It is the largest wholesaler of DVDs, CDs and video games in Canada and is the largest independent music and video distributor in North America.

Traditional Business Model Falls Short

Debby MacFarlane, Director of Process Development, recalled E1 Entertainment's motivation for exploring a different business model. "We wanted to improve the way we do business. We were looking for ways to increase sales volume through expanded retail distribution channels. In order to be more attractive to a broad base of retailers, we needed a more cost-effective business model. We knew that if we could make it easier for retailers to do business with us and reduce their costs, it would be a win – win situation."

E1 Entertainment was operating in a traditional buy/sell environment, in which the retailer would place an order, see what products sell, and then place a blanket reorder for all stores. "Just like all businesses, retailers are looking for ways to reduce costs by managing inventory and streamlining processes," said MacFarlane. "We realized that this traditional model inherently created issues for us and our retailers. Retailers would do their best to analyze recent sales, forecast demand, and place accurate orders - all of which consumed the time of their purchasing staff to manage and handle the orders through the cycle. This primarily reactive process was not very accurate, because it didn't match store-level inventory with actual consumer demand. We knew that if we could eliminate some of these issues we could expand our distribution channels."

In addition, retailers were challenged to place accurate replenishment orders to cover demand for all of their individual locations. "The retailers didn't have the systems to define the demand for individual products down to the individual store level," explained MacFarlane. "They were arbitrarily placing orders based on very general assumptions and not on actual consumer demand. So at some stores, certain product titles would sell out, and sales would be lost due to lack of inventory. In other cases, inventory wouldn't move and would end up being

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Director of Process Development
E1 Entertainment Ltd.

overstocked and eventually returned. Neither situation is desirable for us or our retail partners."

"We decided to bring a new way of doing business to the retailers to address this issue. It would help both of us to ensure that they have the right product in the right place at the right time."

VMI is Foundation for New Business Model

In response to these challenges, E1 Entertainment determined that a Vendor Managed Inventory (VMI) program would benefit them and their retailer partners. MacFarlane explained, "With VMI we take responsibility for inventory replenishment. We determine what we ship the store and we replenish inventory based on actual consumer demand down to individual SKU's and store locations."

E1 Entertainment researched multiple technology options and selected the Datalliance Vendor Managed Inventory service as the core platform to support their new VMI business model. "Using Datalliance, we now have ready access to store level information to make better decisions about order quantities and replenishment orders," said MacFarlane. "On a weekly basis, we drill down, store-by-store, item-by-item, to analyze actual consumer demand for the previous week – resulting in timely and accurate replenishment orders. We're now replenishing the



VENDOR MANAGED INVENTORY
SUCCESS STORY

SKU's that sell, when they sell, no more and no less. This detailed analysis has resulted in significant sales increases for E1 Entertainment and our retailers. Because we have the right product at the right retail location, at the right time, we don't lose sales opportunities any more. This obviously is a tremendous benefit for both of us."

On a weekly basis Datalliance VMI provides the sales information, analysis, and drives the order replenishment process. "By implementing VMI, we have removed one of the biggest barriers for our retailers – placing orders by estimating or forecasting future consumer demand," said MacFarlane. "We maintain responsibility for the inventory replenishment process for our retail partner locations. This makes us much easier to do business with and more attractive to new retailers. We've eliminated the time, cost, and risks associated with forecasting demand, placing replenishment orders and managing the inventory."

Datalliance VMI helps E1 Entertainment accurately plan for new release product distributions and also supports special promotional offers. "Having the actual sales history data for previous new releases allows us to analyze the sales trends of new releases by store, so that we can refine the placement and quantities of future new releases. The information from Datalliance also puts us in a much better position to plan our support for special retail promotional offers. For example, if a retailer is going to offer a 'buy one, get one free' DVD promotion, we can anticipate the inventory required to support the promotion and ship appropriate quantities to eliminate stockouts and maximize promotional program sales."

"Before using Datalliance, our analysts spent countless hours of manual work painstakingly trying to figure out the details of retail replenishment orders. Now, Datalliance calculates the replenishment orders, and our time has been reduced by 75%. For retailers, the benefit is that re-orders are not only much more accurate, but their purchasing department doesn't need to get involved. That saves them considerable time and effort. We've streamlined the process, made it much more accurate, with a significant reduction in effort – a pretty good result by any standard."

Because E1 Entertainment can analyze product demand at an individual store level based on customer demand every week, their retail partners' stockout scenarios are drastically reduced. "We're providing better customer service to our retailers and they in turn are providing better service to their consumers. Another benefit is that we have been able to better utilize and minimize our inventory across retail locations. We now have a much better approach to replenishing fast selling products and stores as well as how to take care of the slow selling stores at the appropriate level. With a better handle on retailer demand, we can manage and therefore minimize our overall inventory across retail locations. This is really the key for us. We're increasing sales but doing so with a significantly lower

investment in inventory. Improving the efficiency of the supply chain lowers inventory costs, increases margins and ultimately improves profits"

"Working with Datalliance, we have been able to build a sophisticated approach to analyzing and placing replenishment orders. For retail partners that have many locations we have simplified the reorder process by categorizing individual stores by overall sales volume and the assortment of product SKUs that they carry." MacFarlane cites a major grocery chain with over 300 stores, as an example. Based on grouping stores that experience similar demand trends, E1 Entertainment consolidated the 300 stores into approximately 70 product 'assortment' categories. Within these product assortment categories, they can refine their analysis based on the volume trends of each store, from high to low volumes. "With this useful information, we can also model the appropriate assortments for new stores. When a new store comes online our VMI program has gained the confidence of our retailers and they now see that this is a more profitable approach and they give us more shelf or display space."

E1 Entertainment and Datalliance Partner on Retail Solution

MacFarlane was pleased with the partnership that developed between E1 Entertainment and Datalliance. "The people at Datalliance work closely with us to continuously improve the solution and add capabilities for the retail industry. Their customer support is phenomenal. They always give me information in the format I need it. For example, we've had several situations where they have automated specific reports and analysis that are customized for our unique needs. They always find a way"

"We continue to collaborate to continuously improve the Datalliance solution for the retail industry in general and specifically for E1 Entertainment's needs," concludes MacFarlane.

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.

VMI Enhances Store Level Replenishment

- Increase sales by expanding retail distribution
- Analyze sales trends by store to create better assortments
- Save time and effort for suppliers and retailers
- Reduce stockouts drastically
- Lower inventory investment



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