

Kirby Risk Streamlines Supply Chain with VMI



Summary

- ▶ Kirby Risk uses Vendor Managed Inventory to maintain high fill rates, the key measure of their customer service performance.
- ▶ VMI supports streamlined central distribution model.
- ▶ Enhanced visibility into customer demand supports improved product mix and inventory accuracy.

Kirby Risk Electrical Supply has been providing superior products, service and innovative solutions to the marketplace since 1926. Today, the company is a market leader, providing premium electrical products to Industrial, OEM, Construction, and Commercial/Institutional markets. Kirby Risk is a product oriented company offering solutions through a variety of technical services and support, including factory automation, lighting systems, energy management, power distribution and transmission, motor repair, and project and asset management. With 38 stocking locations and a central distribution center serving Indiana, central and southern Illinois, and northwest Ohio, they are now ranked in the "Top 20" of electrical suppliers in the United States.

Focused on Exceptional Customer Service

Kirby Risk differentiates itself in the electrical supply market by exceptional customer service. Joe Hart, Director of Purchasing and Material Management, says, "Using the right technologies in combination with process improvements creates opportunities for us to improve the efficiency of our supply chain model and reduce costs. We go above and beyond to provide the required parts and services to our customers, either on demand or within 24 hours, and at the lowest possible cost. Fill rate is most important for Kirby Risk, as this is a key measure of our customer service performance. We are consistently over 95% and always striving to improve this key metric. Taking care of our customer is our single focus."

VMI is a key component in Kirby Risk's overall supply chain strategy. "Today, many of our leading suppliers including Hubbell, Ideal, Rockwell, Siemens, and Thomas & Betts are using Datalliance VMI. We are also working with other key suppliers to bring up VMI. Eventually we plan to do VMI with 10-14 major suppliers. When we get to that point, 80% of our inventory will be managed by VMI."

VMI allows Kirby Risk to look at things from a variety of angles, analyze individual supplier relationships and performance, and manage their business more effectively – supplier to supplier. "Our suppliers know their products better than we will ever know them," explains Hart. "VMI helps us to work more collaboratively on how to best sell, stock, position, and promote their individual products. Before using VMI, we did not have the time or the information to do this type of analysis. We now work with our suppliers to build a stocking plan to maximize sales and launch new products into the marketplace."

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Joe Hart
Director of Purchasing and Material Management
Kirby Risk

VMI Supports Most Efficient Supply Chain Model

Hart describes, "We went to a model of one central distribution center to support our 38 branches with VMI managing stock replenishment for the central distribution center with our key suppliers. This streamlined model ensures a high level of fill rate, while at the same time being very efficient and cost-effective."

Kirby Risk previously operated a central distribution center with five smaller, geographically dispersed distribution centers. Each of the smaller distribution centers served a handful of branch locations – a hub and spoke configuration. Hart recalls, "We had duplicate inventory at the central and smaller distribution centers. A branch could order from their distribution center, but if needed, could also go directly to the central distribution center to satisfy customer needs. By eliminating the small distribution centers, we now consolidate inventory at the one central location from which all branches pull. This demand consolidation allows VMI to manage and replenish inventory in larger quantities and more frequently from our main suppliers – taking advantage of economic order quantities and cost-effective shipping rates and discounts."



VENDOR MANAGED INVENTORY
SUCCESS STORY

Today, Kirby Risk sends customer demand transactions from all branch locations on a nightly basis. Hart explains, "If the customer need is not same day or if we cannot satisfy same day need at the branch, then the order is placed on our central distribution center. The order is picked, packed and delivered to the branch so it can be picked up by the customer or cross-docked to a delivery route to a customer. The product is delivered to the branch by 7:00 the next morning. VMI keeps this process running smoothly by monitoring the daily branch demand, anticipating future demand, and issuing replenishment orders with suppliers as needed."

Hart explains the advantages of this approach for both the branches and the central distribution center. "This allows us to have fewer, but more experienced people at the branches to serve our customers. The central distribution center, which carries over 50% of our total inventory, is radio frequency, bar code enabled. Everything in the building is bar coded, so we receive and pick with radio frequency bar code scanners, a process which significantly improves the accuracy of our inventory at the central distribution center."

Increased Inventory Visibility

Kirby Risk regularly moves 'excess' inventory from individual branch locations back to the central distribution center – allowing the sales organization and VMI visibility over this inventory. "By giving VMI visibility of excess inventory, we are able to reconsider this inventory and use it to satisfy ongoing demand across all branches in lieu of placing new orders with suppliers," explains Hart. "The result has been a significant cost savings in that we have reduced returns to our suppliers by about 20%."

Hart continues, "VMI helps us better manage our fast moving, high volume items which account for approximately 75-80% of total inventory. For our lower demand or slower moving items, VMI has helped reduce our inventory to levels that still support demand, but minimize our inventory investment."

Inventory Quality at all Time High

For Kirby Risk, the greatest benefit from VMI has been the quality of data and transactions. Quality data and clean transactions support the process improvements and efficiencies that they have built into their daily routine. "In the past, there were a number of ways for errors to occur on purchase orders to our suppliers," states Hart. "For example, information such as item description, UPC, or packaging specs could be incorrectly documented on the purchase order. If the error was not caught by the vendor or if purchase order information was changed by vendor without notifying us, we would encounter delays in receiving the items, processing accounts payable, delivering the item to our customer, and billing our customer. Any errors encountered early in the process had a snowball effect, and it required a lot of man hours to resolve these issues."

"Today, Datalliance VMI verifies all of the critical information before the purchase order is created and prior to any communication with the supplier. If Datalliance detects a potential problem, we resolve it up front, at the very beginning of the process. This ensures that our purchase orders are clean

before they go into our system, which means we get the correct product in a timely manner from our suppliers. The impact of this greatly improved process is realized in improved customer service, reduced returns, some decrease in inventory, and a more efficient process that requires less man hours to manage and trouble shoot. Today, we don't hear issues about out-of-stocks that we used to hear on a regular basis. Our fill rates are much improved. Our customer service is enhanced, and our inventory quality is at an all time high."

Hart summarizes by saying, "The single biggest impact of VMI is that the quality of both data and transactions goes up significantly. The QUALITY of inventory accuracy provides the greatest advantage of VMI for Kirby Risk."

What Sets Datalliance Apart?

Hart describes Kirby Risk's relationship with Datalliance. "Datalliance is extremely customer focused. Even though we are not a direct customer, they work with us on our needs. They listen to our issues, understand our needs, and figure out the best solution to the problem. When we work with Datalliance to add functionality to address an issue that we have with one supplier, once implemented, we can leverage and apply the enhancement to all of our suppliers that use Datalliance VMI."

"What really sets Datalliance apart from other VMI systems is the online reporting capabilities and tools," emphasizes Hart. "In this area, Datalliance is second to none. The system gives us immediate access to everything we need to effectively manage inventory and maximize customer service. The Datalliance system has a decided advantage with its ability to effectively report what's going on with inventory at any time or location. In addition, they have the knowledge base and industry experience to understand what information distributors need and how VMI can support the entire supply chain cycle for both the suppliers and distributors."

Datalliance makes it easy for Kirby Risk to do VMI with additional suppliers. "It is so simple to bring new suppliers on that we almost take it for granted," says Hart. "Not only are they willing to go the extra mile, Datalliance has the support staff, industry knowledge and infrastructure to make it happen. We can now get up and running with a new supplier on Datalliance VMI in a matter of weeks."

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.

With Datalliance supported VMI programs, Kirby Risk has:

- Reduced returns to suppliers by 20%
- Increased the quality of inventory accuracy through improvement of data and transaction accuracy
- Improved customer service following a drop in out-of-stocks
- Improved the ability for warehouses to pick pack and deliver items in a timely manner



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