

Kroeger Equipment and Supply Company Improves Bottom Line Results Through VMI



VMI Delivers Business Results:

- ▶ Order Time Reduced 80%
- ▶ Sales Increased 19%
- ▶ Inventory Reduced 34%
- ▶ Inventory Turns Increased 73%
- ▶ Profits on Velvac Line Increased 10%

VENDOR MANAGED INVENTORY SUCCESS STORY

Velvac and Kroeger Equipment and Supply Company have been successful trading partners for many years. In business for over 40 years, Kroeger is one of the largest aftermarket parts distributors in central California.

Velvac supplies Kroeger with a large number of brass parts and products. Bill Lawhead, Kroeger Corporate Purchasing Manager described their ordering process prior to implementing VMI. "There are over 300 individual line items that we reviewed weekly to determine what we needed to order. We spent a lot of time evaluating the past week's demand and current inventory to determine what parts to order and in what quantities. If the overall order didn't meet Velvac's minimum order value, we wouldn't even place an order and then go through the entire process the following week. We didn't always have a clear picture of end customer demand, as we were looking at history and not necessarily anticipating future demand. Sometimes, we were ordering too much of some items and not enough of others."

"From a business perspective, our challenge was to maintain a high level of customer service, but manage our replenishment processes and inventories as cost-effectively as possible. Customer service is a given for us, though the efficiency of our process has a major impact on our profitability," stated Lawhead. "While brass parts are not high cost items, it's very important to have these in stock to maintain our reputation for excellent customer service. When our customers need a part, no matter what the part might be, they expect us to have it in stock."

Velvac invited Kroeger to join their VMI program as a way to improve the replenishment process for both companies. Based on their confidence in VMI, Velvac waived the minimum order quantity requirements. This change allows VMI more flexibility in driving order quantities and timing. "VMI analyzes current demand data and generates orders based on our predefined replenishment algorithms and guidelines," commented Lawhead. "Our purchasing staff simply reviews, verifies and releases the order.

VMI has reduced our replenishment process time by 75-80%. We are much more efficient - our buyers can now work on more value added activities. Velvac's VMI program has made it much easier to do business with them."

In addition to process improvements and time efficiencies, Kroeger has also realized bottom line business results. "Our business results are pretty impressive," explained Lawhead. "We increased sales 19%, reduced inventory 34%, and increased turns by 73%. The result was a 10% increase in profits on our Velvac product line, while at the same time achieving a 99% in stock or customer service performance. Every one of these is an important metric for our business. The combination of these positive results also shows that we are better aligned with end customer demand, are moving more products, and are doing so more profitably."

Lawhead commented, "Velvac really 'gets it' when it comes to working with their distributors. I don't even talk to other suppliers for the types of products we get from Velvac. Occasionally, another supplier would try to entice us by offering slightly cheaper brass pricing, but it's not worth considering. It is more beneficial for us to have an efficient process that ensures accurate inventory levels. Velvac's VMI program makes them easy to work with and provides us with business benefits that help our bottom line."

Kroeger has tried VMI with other suppliers, but not with the success that they have had with Velvac and Datalliance VMI. "Our attempts at VMI with other suppliers required a lot more effort on our end, were not as easy to implement, and in the end just not as successful. Datalliance got our data loaded, and we were up and running in minimal time. We now have a much stronger relationship with Velvac with more trust and collaboration on both sides. We plan to move more of our product replenishment over to VMI and would like to see more suppliers offer VMI." Lawhead concluded, "Both sides need to buy in and commit to the relationship, but if they do, you can service your customers better and increase sales."

