



North Coast Electric Improves Supply Chain Using VMI

North Coast Electric (NCE), the largest distributor of electrical materials in the Pacific Northwest and Alaska, works with its suppliers to deliver e-commerce solutions that provide business value to their customers. Approximately 25% of NCE's overall inventory is managed by VMI (Vendor Managed Inventory). Currently, 13 of their manufacturing suppliers use a wide variety of VMI systems to assist them in managing inventory replenishment.

NCE has consistently invested in Information Technology over the years and is recognized as an industry leader in inventory management. NCE realized that their performance exceeded industry standards in the areas of inventory turns, fill rates, and overall inventory carrying costs, yet they sought further improvement.



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Rick Bumpus, VP of Operations of North Coast Electric, explains, "We embraced the concept of VMI about five years ago. From a distributor's perspective, the benefits of VMI were quite compelling. Our customers are impressed to know that if they order from NCE and their item is not in stock, their order flows automatically and directly to the manufacturer, via an EDI transaction that very same day. This represents the type of seamless supply chain integration that all of us are looking for."

Rockwell International, a key supplier to NCE, uses Datalliance®, a VMI-based e-commerce service. "Working with progressive manufacturers such as Rockwell that support their distributors through VMI, assures us that we will receive deliveries on a timely basis, at the proper quantities, and at the lowest cost," states Bumpus.



"Over the past few years, our sales are up over 40%, and we have grown from 16 to 28 geographically dispersed locations. Though very positive, these changes create new challenges in how to effectively manage our overall operation. Minimizing costs and maximizing customer satisfaction became considerably more complex."

Traditionally, NCE had one inventory manager in each location. Bumpus says, "Not only were our inventory managers responsible for having the right product in stock when our customers needed it, but it is also extremely important to look for ways to minimize our on-hand inventories and therefore the associated costs. It's easy to address one of these objectives while ignoring the other, but quite a challenge to achieve both."

MAINTAINING MINIMUM INVENTORY TO SATISFY CUSTOMER DEMAND -- DOING MORE WITH LESS

From an inventory management perspective, a distributor knows they are doing something right when they can reduce the cost and quantities of inventory, and at the same time, improve fill rates and customer service.

When NCE initially evaluated the benefits of VMI, they hoped to achieve two main goals: higher inventory turns and improved fill rates. As expected, NCE is realizing substantial business benefit in both these areas. Today, they have increased inventory turns by 20%, which puts them considerably above the industry average. Bumpus elaborates, "This is even more impressive when you consider that we realized this improvement during a period when sales increased by 40%, but inventory to support those sales only increased by 18%. We are pleased by these results, as they show a relative reduction in inventory required to support our growing business.

"Because we are communicating our replenishment demands to Rockwell daily, they are better able to meet the specific demands of our customers in a timely manner. This has allowed us to reduce our safety stock, which directly impacts our inventory carrying costs, while at the same time, improve our fill rate from 95% to 98%."

INVENTORY MANAGERS IMPROVE PRODUCTIVITY -- MAKE BETTER DECISIONS

NCE was well aware of VMI's direct inventory related-benefits such as increased inventory turns and improved fill rates. NCE is also realizing some significant, unanticipated benefits of Datalliance.

One of the pleasant surprises of VMI has been the improved productivity of inventory managers. Bumpus proclaims, "We've experienced a 20% improvement in inventory manager productivity as a direct result of our VMI relationship with Rockwell. VMI manages a high percentage of our items



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with little or no ongoing involvement from our inventory managers. As a result, inventory managers have the time required to spend on "exception" items. This frees them to cover more items across multiple locations more effectively. The company now manages more inventory across more locations with fewer inventory managers.

"Experienced inventory managers are hard to find, so the ability to leverage their time has allowed us to grow our business without personnel constraints. The result has been better inventory managers, managing more inventories, with better results, and at a lower cost!"

ONLINE INFORMATION AND GRAPHS KEY TO SUPPLIER COLLABORATION

One of the downsides of traditional VMI solutions has been the disconnect between the planner at the manufacturer and the inventory manager at the distributor. The distributor would send information out to the manufacturer and then receive inventory. Many inventory managers were uncomfortable with the process, because they felt they had no insight into or control over the orders created by the manufacturer.

Datalliance has addressed this challenge by pioneering the use of online information, charts, and graphs that are available to both the inventory manager (distributor) and the planner (manufacturer). Sharing information creates a collaborative environment where both parties have complete insight into the order process, as well as historical information to highlight trends.

Bumpus praises, "Of all the VMI systems that we use, Datalliance is the only one that provides online information, charting, and graphing to give us a clear insight into the status and execution of our supply chain with Rockwell. When needed, we can drill down to the appropriate level of detail to identify and determine the cause of a specific trend or inventory issue.

"For example, an inventory manager can go into the system to verify that their counterpart planner at our supplier is fine-tuning order points and quantities to accurately reflect the dynamic demand of our customers. This online data that is available to both of us, the distributor and Rockwell, has built a level of collaboration and trust that we do not quite have with our other trading partners because their VMI systems do not offer the same level of information."

Bumpus adds, "Another big advantage of Datalliance over the other VMI systems that we use is that they capture and report our order information in weekly time buckets (most other systems use monthly data). This allows us to keep a closer eye on our inventory situation and be more responsive to changes in sales levels."

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VENDOR MANAGED INVENTORY RESULTS AT A GLANCE

- 1 Inventory turns up 20%
- 2 Inventory Manager productivity increases 20%
- 3 Sales up 40%
- 4 In-stock percentage up from 95% to 98%

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FUTURE OF VMI AT NORTH COAST ELECTRIC

Bumpus concludes, "Our experience with VMI has proven to us that we can significantly improve the efficiency of our entire supply chain, from manufacturer to our end customer. It is not only in our best interest, but it is in the best interest of our trading partners, and most importantly, our customers to extend the use of VMI throughout our business. We plan to continue to increase the percentage of total inventory items controlled by VMI and hope more manufacturers will support us as strongly as Rockwell does."

ABOUT Datalliance

To achieve real cost savings, the entire supply chain needs to work together. Datalliance is uniquely qualified to deliver solutions that transform customers and suppliers into collaborative trading partners. We are a Software as a Service (SaaS) provider with more than 15 years of experience designing, developing, and executing mission-critical supply chain systems for Fortune 500 companies. The Datalliance VMI service is a comprehensive VMI-based e-commerce service and is the product of our extensive industry and technology experience. Datalliance VMI enables suppliers and their customers to quickly and easily establish effective VMI relationships and facilitates collaboration across the Internet. Privately held and employee owned, Datalliance was established in 1991 by Carl Hall, President. The company is based in Cincinnati, Ohio.



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