

Weldon Parts, Inc. Uses VMI to Improve Efficiency and Increase Sales



VMI Delivers Business Results:

- Order Time Reduced 80%
- Sales of Velvac Products Increased 24%
- Customer Service at 99%

VENDOR MANAGED INVENTORY SUCCESS STORY

Located in Oklahoma City, Oklahoma, Weldon Parts, Inc. is a leading distributor of heavy duty truck parts. The company has locations across Oklahoma, Texas, Florida, Arkansas, and Missouri.

A long-time distributor of Velvac truck parts, Weldon manually monitored demand and placed replenishment orders for their 13 locations. Daryle Settles, Vice President, explained "Our locations are spread out geographically. Since each retail location is unique based on how long they have been open, sales volumes, and the breadth of the product line they carry, we don't have consistent demand trends. Our central ordering function was responsible for several hundred Velvac SKU's, a situation which made for a rather complicated and time consuming process when you multiply this effort by 13 somewhat unique locations."

As a result of the complex process to identify demand for Velvac parts across multiple locations, they also struggled with accurate order quantities. "Our order process wasn't sophisticated," stated Settles. "Order quantities tended to be more emotional decisions, not completely based on statistics, history and trends -- there was a 'gut feel' component. When we estimated correctly, things were fine but if we estimated high we had too much inventory and costs increased and if we estimated low, customer service was impacted."

Velvac introduced Weldon to their VMI program as a means to strengthen their relationship and help Weldon improve the efficiency and accuracy of their order process for Velvac parts. "The Velvac VMI system is a much more sophisticated process for us yet it is also easy to use, implement and understand," described Settles. "Our weekly process to identify demand for all our locations has been greatly simplified; our time has been reduced by as much as 80%. We rely on VMI to analyze actual sales data and then recommend appropriate replenishment orders to meet the objectives of each location. We'll look at exception items or special situations, but we leave the order details up to VMI."

"VMI also helps us better utilize the inventory that we have on-hand at the individual locations through a 'Suggested Transfer Report'. This report identifies surplus inventory that could be used at another location to satisfy anticipated demand. We not only get better inventory utilization but also lower our inventory investment in total while maintaining high customer service."

"Today our VMI calculations and algorithms are customized based on how our customers actually buy a specific part and their historical buying trends," explained Settles. "Resulting orders are based on actual sales and trends with quantities representing the most economical order quantity. This ensures that we balance customer demand, cost to carry, and meet our stated customer service goals. VMI also eliminates any errors and issues with package quantities, as Velvac maintains the data and it is constantly updated and accurate."

VMI has not only helped Weldon improve the overall efficiency of their order process, but they have also increased sales of Velvac products. Settles explained, "Over a one year period on VMI, sales of Velvac products increased 24% and our customer service remained very high at 99%. We have the products our customers need so they trust us and reward us with more business. When considering new suppliers, VMI is very high on our list. Suppliers that have VMI programs are easier to do business with, more cost effective, more accurate, and we are more likely to grow our business with them over time as we are better able to serve our customers."

