



**Customer  
Care Tips  
February 2009**

**Datalliance  
9916 Carver Road  
Suite 500  
Cincinnati, OH 45242  
(513) 791 - 7272**

## February 2009: Return &/or Redistribution of Excess Inventory

### Overview:

Customer Care has received an increasing number of inquiries related to functionality available within the Datalliance<sup>®</sup> system to recommend the return and/or redistribution of excess inventory due to economic challenges faced by distributors. Distributors are focused more than ever on reducing inventory levels and often call their suppliers for help in getting excess inventory off their shelves. Given a VMI relationship exists, it is logical that the system making replenishment decisions be called upon and utilized to make suggestions as to the return/redistribution of inventory. The Datalliance<sup>®</sup> system offers functionality that provides suggestions for both return and redistribution of inventory. This Customer Care tip will focus on returns exclusively and will not cover the redistribution functionality.

### Configuring Distributor Return Options:

The first step towards generating a suggested return for a Distributor is to configure the parameters that will drive the items being suggested for return. Please note that these options are configured at the Distributor level and can be set/modified by a user with Analyst or Manager level access as long as they have been granted access to the Distributor.

From the Datalliance<sup>®</sup> Main Menu, select 'Select Distributor from below the Configuration heading. Select the Distributor for which you would like to configure the Returns settings and hit the 'Select' button. This will take you to the Maintain Basic Distributor Information page. From the menu to the left, select 'Returns'.

The Returns configuration page allows a VMI Analyst to configure or review the Suggested Return Options that have been configured for a Distributor. Datalliance<sup>®</sup> default values will be used for new Distributors, unless alternative Supplier Defaults have been set. The Analyst can easily modify any of the defaulted values by making the desired changes and clicking the update button located at the bottom of the page.

### Return Calculation Methods

The first decision the Analyst must make is how excess inventory should be calculated. There are four methods that are available to calculate the amount of excess inventory for an item: NQA greater than 'X' Months Supply, NQA greater than 'X' weeks of demand, NQA greater than 'X' times Used OP, NQA if not sold more than 'X' times in the last 'X' weeks. There is a final check (not configurable) that will, under certain conditions, suggest for return everything above the total sold in the last 52 weeks. If multiple calculation methods are chosen, the method returning the least amount of excess inventory will take precedence. Under no circumstances will the suggested return quantity decrease the inventory level below the used order point. Items with an on hand value of zero, regardless of on order quantity, will

NOT be suggested for return. For each of the return calculation methods above, the Analyst can specify the criteria that will influence whether an item will be suggested for return. Below is a screen shot of the section of Returns configuration associated with the return calculation methods and a more detailed description for each:

1. Excess Time Supply – Time Supply (months) is configurable by Planning Group. The return quantity will be calculated by subtracting the specified time supply from the NQA. This assures that there will be an adequate time supply of product remaining at the distributor's location after the return. A month's supply is calculated as Daily Forecast \* 20 days (assuming Distributor Business Days is configured to 5 days). So, in the example above, PG 5 items will have a suggested return quantity of NQA – (Daily Forecast \* 20 \* 6). The lower the value of 'X', the greater the number of items that are likely to be suggested for return.

**Configure Distributor Returns** ⓘ

Distributor: Delta Wholesaling

**Return Items With Excess Time Supply**

Planning Group	1	2	3	4	5	6	7	8	9	10	12
Time Supply (Months)	12	12	12	12	6	6	6	6	6	12	12

**Return Items With...**

NQA larger than last: 16 weeks demand

NQA more than: 4 times Used OP

Frequency less than: [ ] in the past [ ] weeks

2. NQA larger than X of weeks demand – This assures that there will be an amount of product left on the shelf to cover at least equal actual sales over the last X weeks after the return. The default for number of weeks of demand is 16. The lower the value of 'X', the greater the number of items that are likely to be suggested for return.
3. NQA more than X times Used OP – This assures that there will be an amount of the product left on the shelf to cover at least equal to X times the OP after the return. The default for the number of times Used OP is 4. The lower the value of 'X', the greater the number of items that are likely to be suggested for return.
4. Frequency less than X in the past Y weeks – This assures that items that have not sold more than X times in the most recent Y weeks are returned in full. The default is Frequency less than 4 in the past 26 weeks. Again, the lower the values of 'X' and 'Y', the greater the number of items that are likely to be suggested for return.

After performing the four tests above if the lowest Suggested Return Quantity (SRQ) value is zero, there is one final sanity check. This last check will set the SRQ for the item to SQA- Annual Demand if:

- the Used OP Type is Calc OP, Key Item OP, or Planner Override OP, **and**
- the item has existed for more than 26 weeks, **and**
- the items Sale Quantity Available (SQA) > its annual demand

The system will then continue with the remaining tests for qualifying Distributor and Supplier values, extended value, etc.

### Distributor Item Status

The next set of configuration parameters determines which items should be eligible for the return based on the Distributor's reported Item Status and the extended dollar value of the Suggested Return Quantity and any return packaging requirements. The screen shot below shows this portion of the Returns configuration page:

Item Status	Use Return Pack Size	Minimum Extended Value
Active	Yes	150
Do Not Stock	Yes	50
Inactive	No	0
Not Managed	No	0

Return Pack Size: Return Pack Size

Any combination of the Item Statuses may be configured for suggested return evaluation. Item Status values set to 'Yes' will be evaluated. The default for Active and Do Not Stock is 'Yes' and for Inactive and Do Not Manage is 'No'. The thought behind these default values is that only Active and Do Not Stock items are being replenished via VMI orders and, as a result, these are the only items for which the system can confidently determine excess.

*Minimum Extended Dollars* – As the return quantity of each item is calculated, its associated extended dollar value is calculated. The calculated dollar value is then compared to this dollar value to assure the distributor only sends back product that has a higher dollar value than this minimum threshold. A different Minimum Extended Dollar amount may be selected for each Item Status that is to be considered for return. The default for Active is \$150 and Do Not Stock is \$50. Inactive and Do Not Manage have default values of \$0 as these items are not by default considered. This configuration value has been provided to allow for a 'sanity check' for inexpensive items that are better to just 'toss' rather than package up for return. The lower you make the configured extended dollar value, the greater the number of items that will be suggested for return.

*Use Return Pack Size* – This option allows the Analyst to dictate whether items should be returned in full packs of a specified Pack Size, by Item Status. The default for Active and Do Not Stock is 'Yes'. Inactive and Do Not Manage have default values of 'No' as these items are not by default considered for return. If the indicator is set to 'No' for an Item Status that is to be returned, then the item will be returned in ones of the distributor base unit of measure. If your company has rules about items not accepted for return if they are in broken packs, it is critical that you make these settings comply with those rules. Alternatively,

if the Distributor wants to see all that is in excess, regardless of return packaging requirements that you organization enforces, you would want the Use Return Pack Size option set to 'No'.

*Return Pack Size* – This configuration option allows the Analyst to specify the Pack Size that should be used to build the return. The default is 'Return Pack Size' which is populated via a Supplier Inventory Master file or can be set manually via the interface. Suggested Return Quantity values will be rounded down to the nearest multiple of the selected Pack Size, if the Use Return Pack Size value is set to 'Yes' for an Item Status.

### Supplier Item Status

The next set of configuration parameters determines which items should be eligible for the return based on the Supplier's Item Status, as provided in the Supplier Inventory Master file or updated manually via the

The screenshot shows a configuration panel titled "Supplier Item Status Options". It contains six dropdown menus arranged in a 3x2 grid. The first three rows each contain two dropdowns: "Exclude Made To Order Items", "Exclude Replaced Items", and "Exclude Not Managed Items" on the left; and "Exclude Obsolete Items", "Exclude Inactive Items", and "Exclude Recalled Items" on the right. All dropdowns are currently set to "Yes". Below this grid is a section titled "Repack Charge Options" which includes a text input field for "Repack Charge %" and a dropdown menu for "Apply to items not returned in pack size".

interface. Any combination of the Supplier Item Status values may be configured for exclusion during suggested return evaluation. The default for all status values is Yes (exclude). If Obsolete items will not be accepted for return by a Supplier, it is important that these be excluded from the return. Alternatively, if the Distributor is simply interested in identifying excess for their own review without the consideration as to whether the Supplier will take it back, the correct setting would be 'No' for Exclude Obsolete Items.

**NOTE Product Life Cycle** – Supplier items that have been associated with a Product Life Cycle Value that has been configured to be excluded from Suggested Returns - will NOT be suggested for return, regardless of excess. The codes, actions and values are determined and populated by the Supplier.

### Repack Charge

Finally, the Analyst can configure the system to calculate and assess a Repack Charge to items not returned in multiples of a desired Pack Size. A Repack Charge % can be calculated and applied, by item, if you'll allow broken packs but would prefer quantities returned in a multiple of a selected Pack Size. This charge is calculated as the percentage of the extended dollar value of the portion of the return that exceeds the multiple of the pack size. Valid entries are 0 to XX%.

### Creating Distributor Suggested Returns:

Once the return configuration parameters for a Distributor have been confirmed, the next step is to tell the system to build the suggested return. A VMI Planner or higher user can use the Location Job Workbench to select the Location and 'Build Suggested Returns' job to accomplish this. If you have a Distributor with a large number of Locations (e.g. greater than 10), you can contact Customer Care and request that returns be built for all or a select subset of Locations for a Distributor.

As the return is created, the Datalliance<sup>®</sup> system will attempt to determine the cause of the excess. A 'VMI Ordered' flag will be populated with a value of either 'Y' or 'N', indicating whether it is determined that the excess was a direct result of a system Order Point recommendation or a result of data provided by the Distributor. At a high level, the flag will be set to 'Y' if:

- the item has been Recalled by the Supplier (as indicated in Supplier Inventory Master)
- the item has been ordered by the Datalliance<sup>®</sup> system within the last 104 weeks (# weeks is configurable)
- the last order was driven by an Event (set up by the supplier) – this is an optional check
- the item was not in PG 1 when ordered or had a Used OP > 0
- the Used OP was driven by Calc OP, a Key Item OP, a Planner OP Override, or a Max OP that was > 0
- SRQ \* X% is greater than the total amount purchased by the Datalliance<sup>®</sup> system in the last year. The default is 75%. So, if the Distributor has 100 in excess that they want to return but only 2 were ordered by the Datalliance<sup>®</sup> system in the last year, the excess will not be deemed as driven by the VMI system. If the Datalliance<sup>®</sup> system had ordered 76 and the excess was 100, the excess would be deemed as driven by the VMI system.

## **Viewing/Editing/Sharing Distributor Return:**

Once a Suggested Return for a Distributor has been requested and successfully built, the Planner can review, edit, print and/or share the Suggested Return with the Distributor. The details of the return can be shared either in spreadsheet form or interactively via the secure Supplier

(<https://vmi.datalliance.net/<supplier>>) or Distributor (<https://secure.datalliance.com/>) website.

### **Supplier Secure Site**

To view the Distributor return via the secure Supplier Datalliance<sup>®</sup> site, the Planner must click on the Suggested Returns link that is available under the Replenishment heading on the Main Menu. To view the return and edit it interactively, click on the Return Created value associated with the desired Distributor. To view the return as a printable page and/or output to Excel, click on the Return Report link associated with the desired Distributor.

### **Distributor Secure Site**

Once the Distributor return has been edited by the VMI Planner and is ready to be shared with the Distributor. The VMI Planner can either e-mail the spreadsheet to the Distributor or suggest that the log on to the Datalliance secure Distributor site to view the return interactively. By Location, the Distributor will be able to see all of the items being suggested for return, drill down to Item Details for any items in question, and/or save the return off in Excel format.