



**Customer
Care Tip
Spring 2010**

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Spring 2010: Managing Inventory in an Improving Economy

Great news! Several suppliers have recently reported that their distributors are either experiencing an increase in demand or are making specific requests to build up inventory in anticipation of increased demand.

In late 2008 and through the first half of 2009, most distributors worked with their suppliers to dramatically reduce the overall inventory levels they maintain. Unfortunately, the process of reducing and maintaining lower inventory levels can result in unwanted stock-outs and reduced customer service levels during periods of rebounding demand if the supplier and distributor do not pre-collaborate on appropriate adjustments to the replenishment model.

The Datalliance system offers a variety of functionality that allows VMI Planners to boost inventory levels ensure good customer service levels when future demand is expected to significantly outpace historical demand.

Build Order to Threshold

The Build Order to Threshold functionality will automatically add fast movers to an order, subject to a maximum number of days of supply. The threshold feature can be configured to build orders to a minimum or maximum number of pallets, weight, or value for the order. The attractive feature of this method of building up inventory is that it is relatively simple to execute. As this method only affects fast moving items, which by their nature will move quickest, and tops out inventory levels at a set number of days of supply, it is likely that any overstock situation will be minimal and short-lived.

OP Adjustment Factor

Adding an OP adjustment factor for specific items allows for a targeted increase in inventory levels, across planning groups. The VMI Planner has the ability to define specific items that require additional inventory and the percentage of extra inventory, above and beyond the level driven by historical demand. While this feature offers the most flexibility, the VMI Planner and Distributor must determine the specific items or groups of items that require OP adjustment factors and the percentage uplift that is desired, when to manually set the adjustment, and when to manually remove the adjustment.

Events

For the targeted inventory buildup, the Events functionality provides a straight-forward approach to building inventory up to known quantities and dollar values. The Event functionality enables users to specify the items and the additional order quantities to be included as part of the next regular order cycle. The Event process also supports adding items that have not been reported by a Distributor. For pinpoint accuracy, the VMI Planner must determine the exact amount, by item, to be added to the order for this Event. Once the Event is executed, inventory levels can be monitored but no other action is required.

Selecting the appropriate approach to executing an inventory increase can vary for each supplier and/or distributor. Each of the methods described above has advantages & disadvantages and may be more/less suitable for a given situation. For additional details, or assistance in adjusting configuration to meet the

inventory planning goals set for a distributor, please call Customer Care toll free at (888) 364 – 3361, or contact us via email at support@datalliance.com.

One final note, as part of the Advanced Users track at the upcoming Datalliance Forum, we will further explore how to fine tune configuration settings in the system to address current economic situations.