

# Canplas, Consolidated Supply use VMI to deliver greater value

BY TOM HOAR

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Canplas is a recognized leader in innovative product design, advanced injection molding processes, materials and distribution for the residential and commercial plumbing industry. Consolidated Supply distributes plumbing and waterworks supplies to more than 20 stores in four states in the western United States. Consolidated Supply and Canplas have been long-time business partners, mutually focused on customer service.

Ron Marsden, Canplas vice president-business development, described the importance of service in their business. “Most of the products we supply are more of a commodity; therefore, service is where we differentiate ourselves and bring greater value to our customers. The key to providing a high level of service is having the right products, at the right location, at the right time — particularly for a major wholesale distributor such as Consolidated Supply. Of our 1,000 available SKUs, Consolidated Supply purchases about 700. Forecasting demand for them is very challenging, based on the large number of SKUs and market volatility.”

## The inventory challenge

Canplas’ main challenge was that their forecast was not driven by real-time customer activity and demand. Marsden noted, “Of course, we analyzed historical demand, talked to Consolidated Supply and considered industry and economic forecasts and trends, but in the end we were creating a ‘hit and miss’ demand forecast. We were just making an educated


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guess at what our customers would need. Our strategy was to carry a high level of inventory to cover customer demand fluctuations. This approach satisfied customer service objectives, but carrying extensive inventory is very expensive.”

In the current economic climate, everyone throughout the entire Canplas supply chain wants to lower the cost of doing business. “The caveat for us is that any cost reduction must be done without impacting service

levels,” said Marsden. “Our objective was to find a better business process that would improve our working relationship with key wholesale distributor customers, such as Consolidated Supply.”

## Canplas initiates VMI program

After considering alternatives, Canplas determined that Vendor Managed Inventory would deliver the process improvements they sought. They selected the  Datalliance VMI service and worked with Consolidated Supply for their initial VMI program implementation.

VMI encourages continuous communication between Canplas and Consolidated Supply. “With VMI, we now see demand real-time, as it happens,” praised Marsden. “In the past, we relied on customers to communicate what was going on and identify issues; then we had to react as best we could. Using VMI, we have the visibility to anticipate demand fluctuations and respond in a timely and cost-effective manner.

“When we see unusual deviations in demand, we’re proactive. The customer might have received a large contract and might not even recognize the impact it will have on orders for our products and our related production and inventory planning. The advance notice provided by VMI gives us time to ramp up supply to them either for a specific time period or on an ongoing basis, if the demand will be sustained.”

## Customer service targets met while inventory reduced

Having better demand, visibility and collaboration impacts a wide range of business metrics for Canplas. Marsden explained, “Datalliance VMI provides us with the information we need and, most importantly, we have confidence in the information. It allows us to substantially reduce inventory levels, as our production activity is better aligned with real-time demand. While we are reducing inventory levels, we are maintaining our 98% fill rate target. Actually, we consistently exceed our fill rate target within our VMI-based business.”

## Improved efficiency and accuracy

Some of the greatest value for Canplas has been in the areas of process efficiency and order accuracy. “With Datalliance’s software-as-a-service architecture, we have very little IT in-

volvement,” Marsden described. “Unlike our previous forecasting system, which required ongoing maintenance and support, our IT staff just doesn’t have to do much with Datalliance VMI as it pretty much runs itself.”

VMI has also helped Canplas reduce the time and effort required to support the order process. Said Marsden, “Our old process was labor intensive; we’d enter data, verify information and clarify any questions. Today, we simply authorize the VMI orders. Our overall time and effort is reduced by 50% to 60%. VMI eliminates the human intervention that didn’t add value and, as a result, increases order accuracy. Our people now spend more time on analytical activity and developing new business opportunities with customers.”

Consolidated Supply also gains efficiencies, as they do not have to build detailed replenishment orders for Canplas. VMI initiates the order, and Consolidated Supply is confident that orders are being placed for the products needed, when needed, to support their end-customer demand.

## VMI helps grow business and improve profitability

Since VMI has taken away a majority of the order issues, Canplas and Consolidated Supply now have time to work together to increase sales. “We now do ‘better’ business with Consolidated Supply, as we proactively talk to them about products that could help them increase sales,” Marsden noted. “We both have more time to discuss a broader scope of products that leads to increased sales, which is good for both of us.

“VMI has made us more profitable by helping us to increase sales and lower our cost of doing business. Reduced inventory levels, a streamlined order process and improved service levels have all contributed to a successful start to our VMI program. We look forward to realizing the financial and relationship benefits with more of our key wholesale distributors as we expand our VMI program.”

## Stronger collaboration delivers benefits

Rod Sanders, manager-information systems for Consolidated Supply, said, “Customer service is critical for us. Our customers expect us to have the products that they need; if we don’t have the products they need, we will lose their business. So, in turn, we count on excellent customer serv-

ice from Canplas to meet those needs.

“We shared a mutual interest in finding a more efficient and accurate way to do business. Canplas investigated the benefits of VMI and approached us to participate in their VMI program. When we looked into it, we realized that it was a good idea for us, too.”

Since Consolidated Supply buys such a high number of SKUs from Canplas, their buyers spent a lot of time managing that inventory. Prior to VMI, every day the buyer would review the suggested P.O.s for 16 branches, review accuracy, resolve any issues, verify that quantities were reasonable and then determine whether total order quantities would meet requirements to get the best freight rates. “Canplas orders consumed about 15% of our buyers’ time,” explained Sanders. “VMI has virtually eliminated this time. Our buyers have gained confidence and

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are comfortable purchasing what Datalliance VMI recommends.”

Sanders credits VMI with providing better alignment of end-customer demand, an improvement that allows more frequent, yet smaller, shipments. “VMI has improved our inventory turns by 30%,” he said. “In the past, orders were less frequent, involved larger quantities and included some ‘cushion’ for safety stock. With VMI, the entire process is leaner, with orders tied directly to actual end-customer sales. The result is that we are providing the same high level of customer service that we are known for with lower inventory, higher inventory turns and better alignment of our inventory with real customer demand.

“We now prefer to do business with suppliers that use VMI. We are more inclined to do VMI with other suppliers, especially if they are using Datalliance VMI and not an in-house system or another commercial system that is not proven in the plumbing industry. With Canplas and Datalliance, we have spent time building trust in the process, formulas and the overall integrity of the system. Datalliance knows what they are doing, and they focus on the business of VMI every day.” **n**

*Tom Hoar is the director-plumbing industry for Datalliance. For additional information, visit [www.datalliance.com](http://www.datalliance.com).*