



Driving Performance.

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## Food4Thought

***Topic: Leveraging a “Smart VMI” Strategy***

### **What is it?**

Traditionally vendor-managed-inventory (VMI) scenarios are those in which the supplier accepts responsibility for managing the customer stock and makes decisions on when and how much to buy to meet consumer demand. “Smart VMI” is an optimization strategy which is deployed *proactively* to enhance competitive positioning with premium customers while driving out unnecessary supply chain costs.

### **Why is “Smart VMI” an important strategy today?**

- Retail sales improve when a more effective supply chain reduces or eliminates store stock-outs
- Supplier sales increase sharply when the customer and supplier enter into a preferred trading relationship
- Inventory and supply chain costs are reduced when trading partners shorten cycle times, revise ordering practices, automate and simplify the planning, ordering and fulfillment processes
- Manufacturing cost reductions are realized when suppliers are able to optimize production plans by integrating more timely and complete sales information into their planning
- Enhanced trading relationships experienced via Smart EDI create a barrier to exit for your customer as it is more difficult to detach from an “entrenched” supplier

### ***The Bottom Line***

- Mandatory VMI places the supplier in a reactionary position with marginal ROI benefit
- Deployment of “Smart VMI” enables a coupling with your premier customers that provides a competitive “barrier to exit” due to a higher degree of interdependency
- By proactively managing your VMI strategy with a focus on service and cost optimization, suppliers and customers share a “win-win” position at the negotiating table where opportunities to influence contract terms and conditions yield options for higher return on investment

***Are you merely responding to VMI mandates or do you have a proactive strategy to push “Smart VMI”?***



**For more info:**

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