



Case Study: Vendor Managed Inventory Program (VMI)

Overview

A major consumer product company's frequently changing production schedules require fast turnaround, production flexibility from their supplier and, at times, immediate availability of labels.

The collaborative VMI Program combines customer tools such as forecasts and estimated annual volumes with Label World inventory management systems and software.

Vendor Managed Inventory Program (VMI)

- The customer provides annual forecasts on every label and shares them with Label World through its on-line proprietary portal. These are updated regularly and reviewed with Label World against actual demand patterns.
- Label World produces labels against these forecasts to optimize print runs and customer availability.
- The customer issues purchase orders to call off shipments needed within 24-48 hours using the same customer portal.
- Label World invoices the customer only for those labels that have been shipped.
- Label World provides the customer with regular reports on inventories of customer labels held in its own warehouse. These are visible to marketing and purchasing.
- The customer and Label World collaborate together to manage changes in label designs and product obsolescence.

Summary of Roles

VMI Process	Cust	LW
Customer demand forecasts	X	
Quarterly volume established	X	X
Labels produced for inventory		X
Safety stock levels established		X
Issue purchase orders	X	
Releases of weekly/monthly requirements	X	
Labels Shipped Within 24-48 Hours		X

Benefits of VMI Program

- Improved product availability
- Reduced costs based on estimated quarterly volumes
- Price stability
- Reduced obsolescence
- Improved inventory visibility
- Reduced customer inventories

Summary

Label World is providing necessary product labeling on time, when needed, and at competitive prices. The Vendor Managed Inventory Program has successfully managed obsolescence and created important price stabilization.

Vendor Managed Inventory - Benefits

BEFORE

- Long lead times
- No obsolescence control
- Cost fluctuation
- Product availability issues
- Cost Increases
- Stock outs/rush orders
- Lack of order history
- Onsite inventories & expense

AFTER

- VMI items ship in 24/48 hours
- Re-branding obsolescence minimized
- Stable Prices
- VMI ensures 100% availability
- Typically 5-15% initial savings
- "Safety stock level" reduces rush orders
- Order histories tracked and reported
- Products "billed as shipped"

