



Vendor Managed Inventory

VMI

› Objectives of the VMI Program

1. Improve Inventory Deficiencies

Improving inventory deficiencies requires careful attention and monitoring of the VMI program by both AAFES and the Partner to ensure the set goals are being met or are exceeding established product fill rates, product turns, and timing to reduce inventory levels and prevent “out-of-stock” situations.

2. Increasing Product and Inventory Turns

Essential to an on going partnership and successful VMI program is how well a product or inventory category turns are measured, calculated, and met. Inventory turns are calculated by dividing the average annual sales by the average inventory.

$$\text{ANNUAL SALES} / \text{AVERAGE INVENTORY} = \text{TURNS}$$

3. Increasing Profits

Increase in profits is a win-win scenario for both AAFES and the Partner. Increased profits are obtainable only with consistent analysis of how well a product is selling and the proper inventory levels to help reduce costs.

➤ Benefits of the VMI Program

Trading partners who focus on the changing business relationship can maximize their benefits. Under the VMI program, suppliers and AAFES can both recognize and focus on the same issue:

How to sell more products to the end user.

AAFES & SUPPLIER BENEFITS

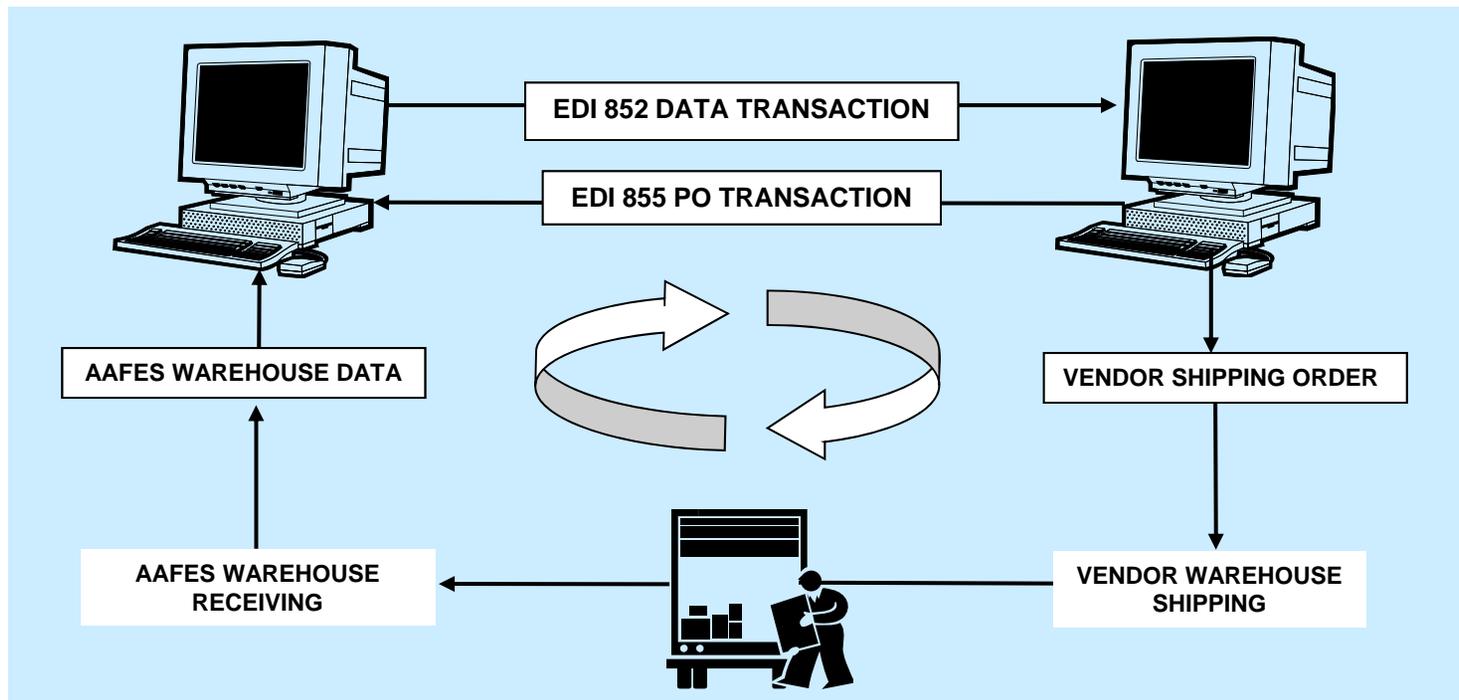
- Lower AAFES inventories
- Better product turns
- Lowered need for safety stock
- Shorter Lead-Times between the supplier and the AAFES DC's and Stores.
- Better fill rates
- Better forecast to better match the market demand.
- Increased Sales.
- Having the right product in the right place at the right time.
- Lower administrative cost.

› The VMI Process and Flow

The following illustration is a visual overview of the VMI process flow.

AAFES System

Vendor System

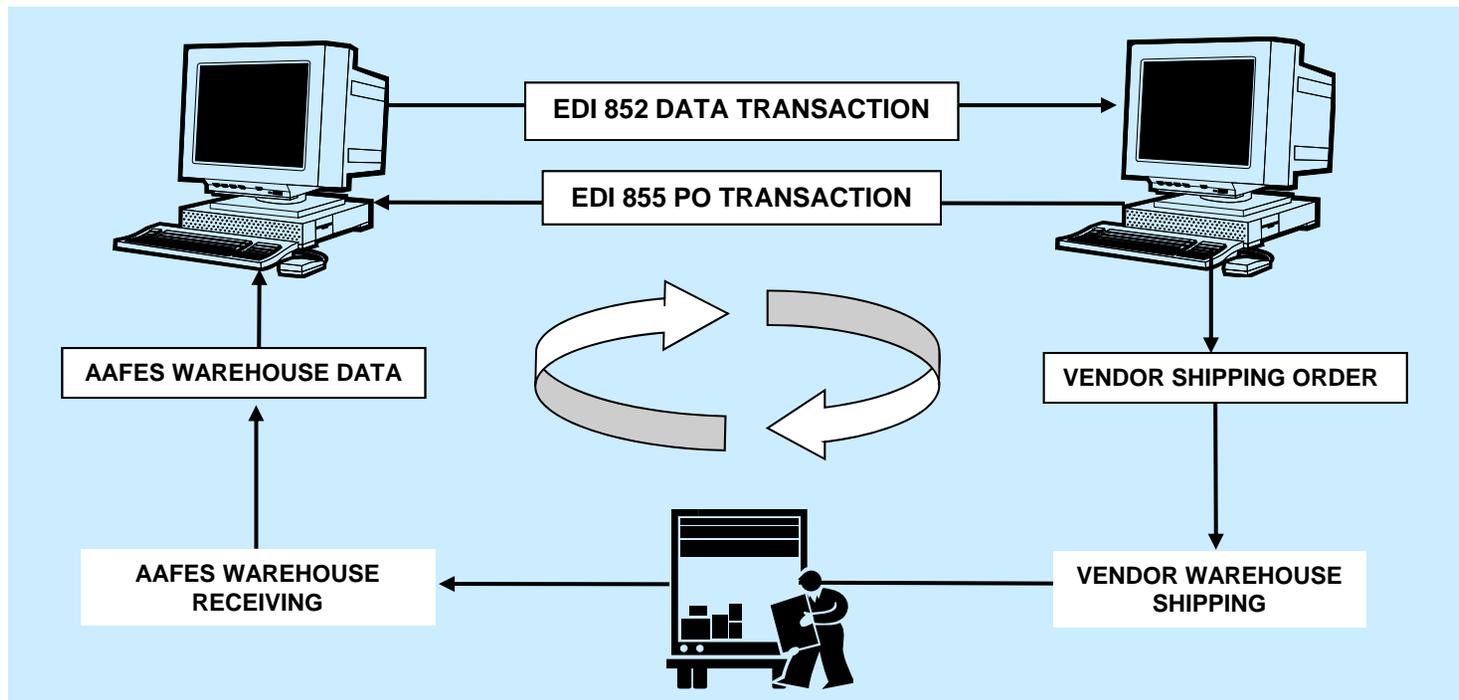


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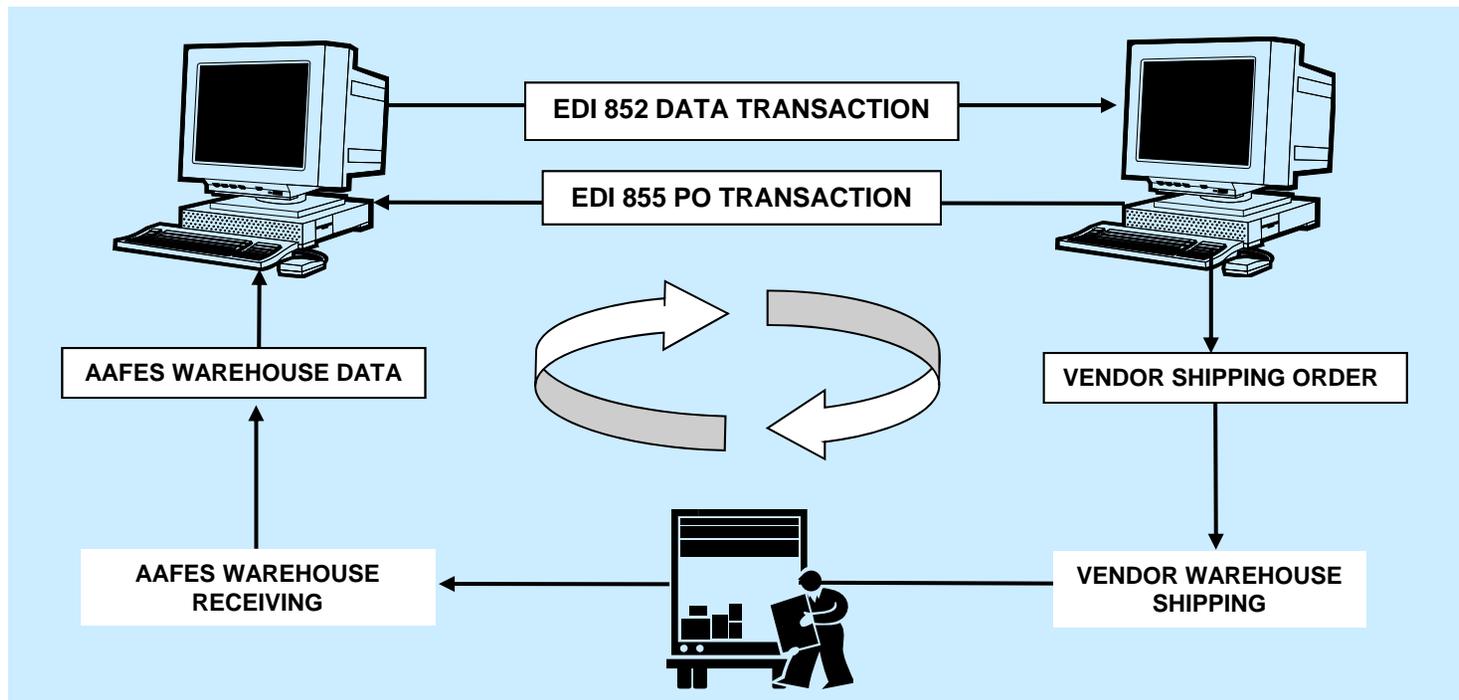


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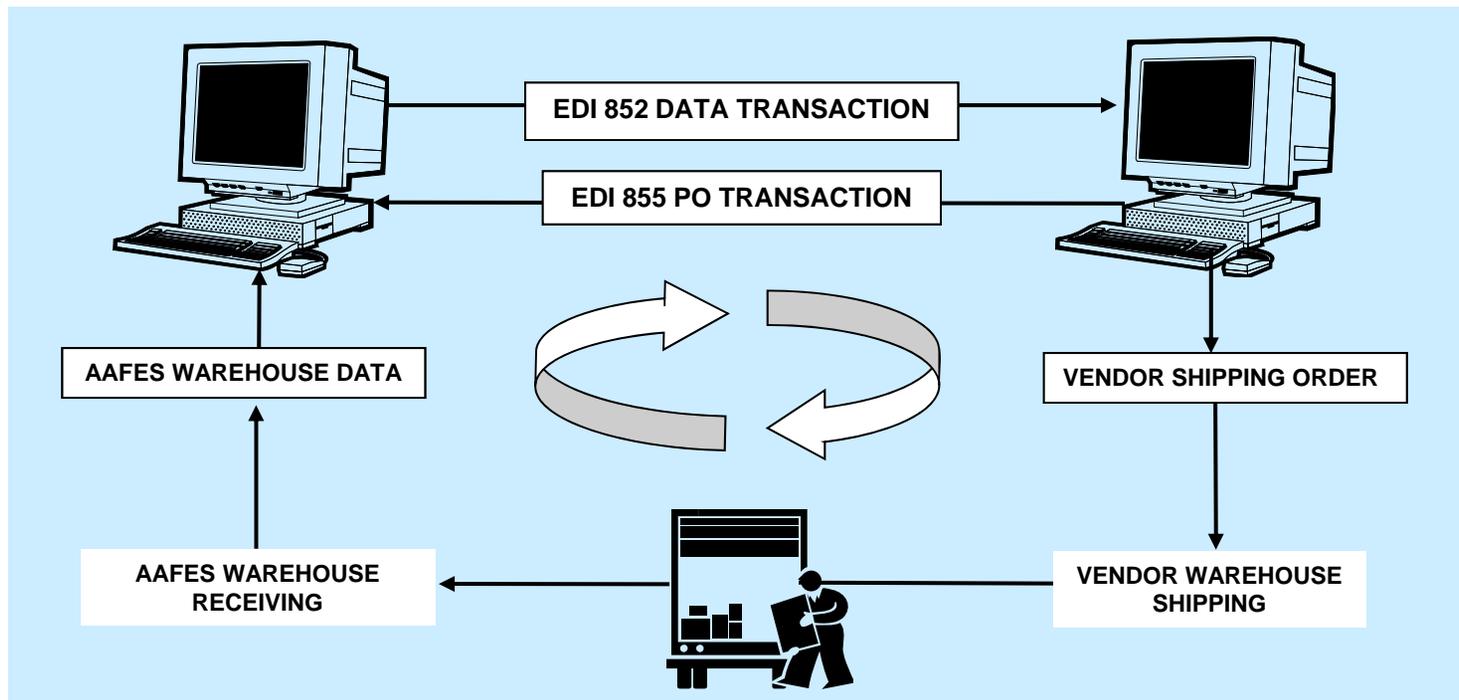


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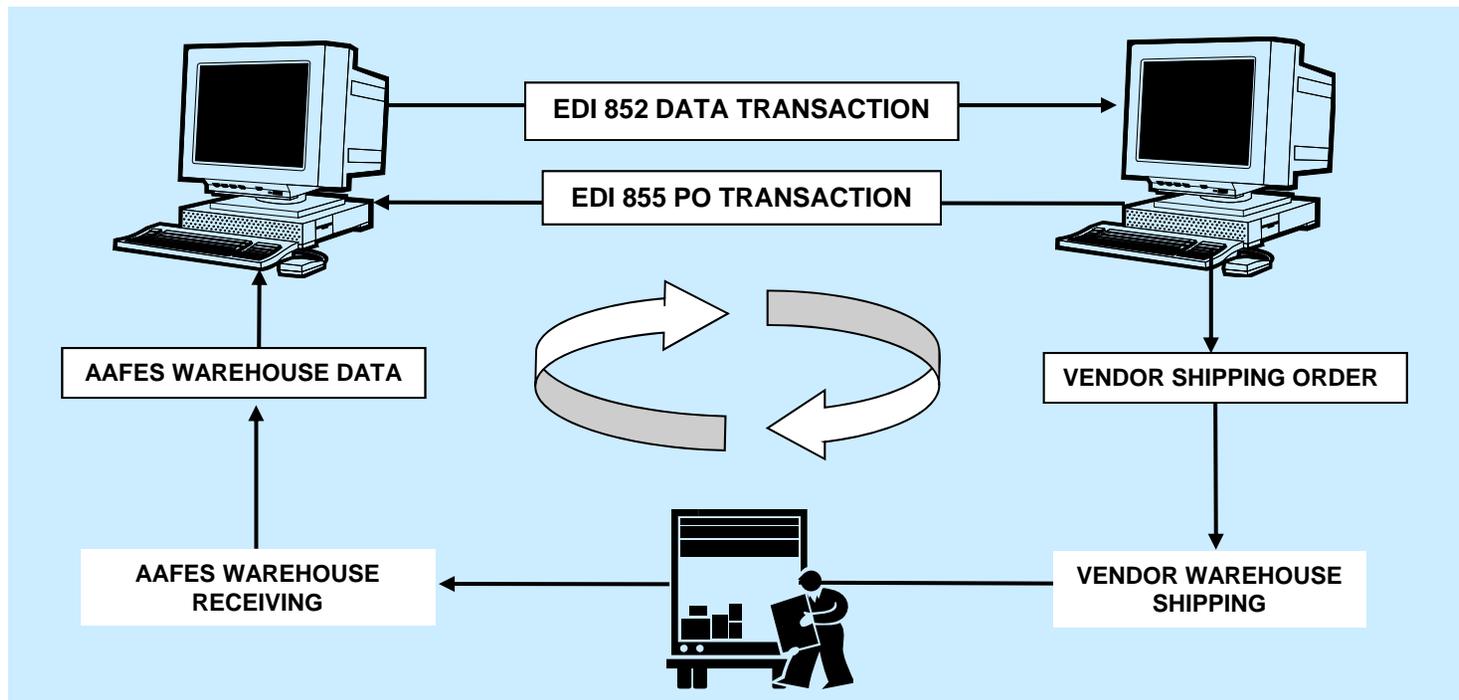


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AAFES System

Vendor System





Vendor Managed Inventory

› EDI 852/855 Segments

- **Outbound 852 – Product Activity Data**

XPO : Pre-assigned Purchase Order Number

XPO*0012345678*0012345679

LIN : Item Identification (EAN or UPC)

LIN**UP*007086713700.

ZA : Product Activity Reporting

ZA*QA*744*EA*007*20110130. (QA : On-Hand)

ZA*QP*0*EA*007*20110130. (QP : On-Order)

ZA*QS*12*EA*007*20110130. (QS : Quantity Sold or Shipped))

ZA*QO*0*EA*007*20110130. (QO : Quantity Out-of-Stock)

ZA*QC*24*EA*007*20110130. (QC : Quantity Committed)

ZA*QX*684*EA*007*20110130. (QX : Promotional Quantity)



Vendor Managed Inventory

➤ EDI 852/855 Segments

- **Inbound 855 – Purchase Order Acknowledgement**

BAK : Purchase Order Number

BAK*00*0012345678*20110130.

DMT : Date/Time Reference

002 Delivery Requested

067 Current Scheduled Delivery Date or Due-In

068 Current Scheduled Ship Date

023 Promotional Order – Start Date

DTM*068*20110131

DTM*067*20110207

PO1 : Baseline Item Data

PO1**2160*EA***UP*300850165028. (UPC)

PO1**2160*EA***EN*3147758183115. (EAN)

› Partnership Responsibilities

- **Communication**

Communication between partnerships is the highest level of responsibility and the main key to the VMI program. Without good clear communications, the integrity of an established VMI program falters and can fail very quickly.

- **Taking Action & Resolve**

Taking action and resolving problems is the second highest level of responsibility. If a situation or problem is identified, quick and immediate action must be taken to prevent future problems.

- **Follow Up**

Good follow up is the third key to the success of the VMI program. This includes insuring any problems or changes have been resolved.



 Questions?
