



# A Guide To Better Inventory Management

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Empowering  
Procurement With  
VMI



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# Introduction

In the fast-paced world of manufacturing every second counts! Time truly is money and any halt in operations reduces productivity, decreases profitability and hits your bottom line hard. That's why top-tier procurement is the heartbeat of a thriving manufacturing process. Without the right raw materials or supplies on hand you are missing out on maximising your potential profitability. At Rivetwise we know that the pressure is on for procurement managers to get things right, which is not always easy given the range of obstacles facing them. These can include inaccurate forecasting, stockouts, increased carrying costs, supply chain disruptions and more. Don't let these obstacles hold you back and stay ahead of the game!

Fortunately, there are systems and processes in place to help procurement managers overcome these hurdles, one such service being vendor managed inventory systems, or VMI – a game-changing solution designed to streamline operations. In this guide we're going to explore how VMI can help procurement managers cut costs, produce more accurate forecasts and increase productivity.



We'll also take a closer look at the incredible benefits of VMI in relation to fasteners, rivets and tooling, and discover how manufacturing companies can truly thrive with VMI by ensuring they're always fully stocked with essential materials, tools and equipment, thanks to our top-notch VMI solution - Vendwise.

**But first, let's dive into exploring exactly what VMI is and how it works, before investigating and educating you on how this powerful service can propel your company to peak performance.**



# What Is Vendor Managed Inventory?

Vendor managed inventory (VMI) is a technique of inventory management where the supplier takes responsibility for optimising the inventory that a client holds. What this means in practice is that the supplier manages the inventory of their product, even when it is in the warehouse of the client or manufacturer. The supplier will then take on all the inventory decisions that need to be made, such as replenishing stock levels. As you can see, VMI is a more collaborative approach to inventory management. But how does it work in practice?



VMI functions through the supplier obtaining information about stock levels, sales forecasts and lead times. This information will be based on predetermined minimum stock levels, with the vendor automatically triggering order shipments to replenish inventory after it falls below a certain point. As you might imagine, the VMI system relies heavily on clear communication and collaboration between buyer and vendor, so mutual trust and understanding is key to its success.



# Advantages Of A Smart Inventory System

VMI breaks the mould of traditional inventory management, where the retailer or manufacturer will keep and update stock levels, assessing when levels are low and when replenishments are needed, then contacting suppliers to place orders for stock. So, what makes VMI so appealing and why is it such transforming business practice?

Essentially, it's because the results speak for themselves. **VMI has been able to revolutionise business operations in many way, such as:**

## Cost Savings

Experience the ultimate advantage of VMI: Massive cost savings! Reducing costs, along with growing sales, is a fundamental pillar of business success and growth. VMI can help to reduce carrying costs through lower stock holdings, mainly because less storage space is required and handling costs are reduced. There may also be some potential cost savings through volume discounts.

But that's not all – VMI also brings indirect cost savings that can be made through measures such as reduced insurance premiums (owing to there being less stock value on the premises), as well as a minimised risk of holding outdated stock or overspending on wasted products.

These incredible cost savings can be especially useful in economic downturns or recession, when storage costs can result in reducing prices on surplus stock or when cancellations of inventory could damage relationships with suppliers.





## Time Savings

As well as monetary savings, OEMs can also benefit from time savings with VMI. You can free up hours previously spent on manual inventory management, allowing you to focus on what truly matters. Using VMI and allowing the supplier to take the strain of inventory means little or no time is required for manual inventory management tasks. This newfound time can be redirected to strategic procurement activities, driving innovation and growth.

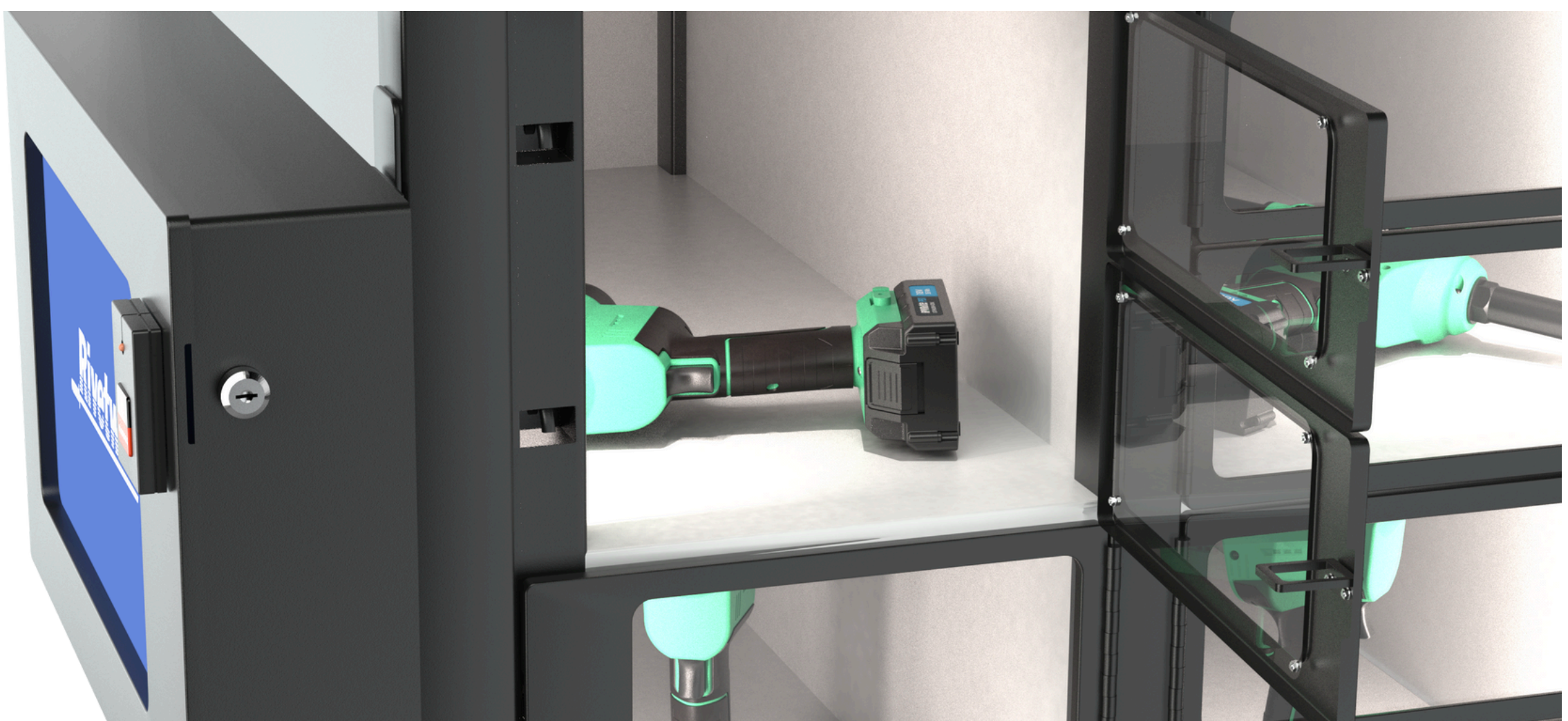
## Accurate Forecasting

As one of the chief obstacles facing procurement managers, accurate forecasting can be notoriously difficult – especially in uncertain economic conditions. However, by utilising a VMI system you benefit from the knowledge and experience base of your suppliers. By sharing in your supplier's more accurate data you can create an informed forecast and gain a more accurate picture of future demands. For example, having access to the vendor's expertise may help you to identify trends you might otherwise miss. In addition, automatic data sharing ensures your forecasts reflect actual usage and prevents disruptions that can corrupt sales data.

## Improved Visibility

It is essential for procurement managers to have a detailed understanding of stock levels, and for this they rely on stock updates to show exactly what you have on hand. Using VMI can help to automate these updates, allowing more convenient monitoring and reducing the risk of stockouts, while providing a broader view of your supply chain and giving you more control of stock.

Some VMI solutions can even provide you with backup levels or require operators to scan their ID, giving you added visibility when it comes to breakages, theft and other losses. It may also be possible for some VMIs to trigger alerts when tooling requires replacement or repair, again helping to prevent downtime and allowing operations to run smoothly





## Faster Response Times

In modern-day manufacturing, customer demands and behaviours can shift in an instant. To keep up, you need agility and speed. VMI allows suppliers to monitor your stock levels and customer behaviour in real time, allowing them to quickly respond to fluctuations while ensuring demand is met in a timely manner, keeping customers happy.



## Better Supplier Relationships

Supplier relationships are often the foundation stone of a seamless and efficient operation. Developing shared goals and open communication with your suppliers can create trust and alignment that ultimately benefits both parties. You and your suppliers are always stronger together and greater accountability strengthens trust and reliability. Working more closely with your suppliers can also help to shift your mindset from a transactional to a value-added partnership, unlocking new levels of collaboration and success.





# Different Types Of Vendor Managed Inventory Solutions

There are various types of vendor managed inventory solutions available. As the advent of AI and innovative TwinBin designs, the industry is shifting from traditional plastic bins to advanced Kanbans and Locker systems, offering stock management security and visibility. At Rivetwise, our VMI solution Vendwise has been specifically crafted for the rivet and fastener industry, ensuring manufacturers never run out of their essential supplies. With Vendwise you'll enjoy a consistent and reliable flow of fasteners and consumables exactly when you need them. This can be utilised to enable seamless production and avoid costly delays from stockouts.

Let's delve into the differences between using traditional plastic storage bins and the innovative smart inventory system, and how these differences can impact your business. One key objective of VMI is to enhance stock control. Traditional VMI with plastic bins often fall short in managing excess stock due to a lack of tracking and alert mechanisms. Without these, it's challenging to monitor stock levels, identify empty bins, and know how long they have been empty or what needs restocking. This raises the crucial question: how can customers effectively track usage?





While the new smart inventory system may require a higher initial investment, the twinbins significantly showcase greater visibility into stock levels, helping to reduce excess inventory and prevent stockouts. This improvement alone can boost efficiency and control within your operations. With advanced technology, the new vendor management system includes automatic alerts when stock is running low, allowing for timely replenishments and ensuring a First-In, First-Out (FIFO) stock rotation.

Additionally, the use of advanced twinbins offers a range of accessories designed for customisation and ease of use, such as flag devices, colour-coded tickets, locking bars, and even mobile racks. This personalisation simplifies the management process and enhances operational flexibility.





Despite the initial investment, OEMs can expect a 20-40% savings on tool costs due to less occurrence of theft and breakage, ensuring smooth operations through efficient supply tracking.

With our Locker systems, tools are always readily available, minimising downtimes and preventing production delays. Plus, labour costs are reduced—traditional inventory checks and purchase orders are automated, freeing your workforce to focus on other tasks while Rivetwise manages your inventory and tool repairs.



A similar system can be utilised for spare parts. Tool breakages causing downtime? Not anymore! With a robust VMI in place, repairs can be made on-site instantly, eliminating the wait for parts and keeping your production on track. In facilities where wear and tear are frequent, having the right parts available at all times is crucial.





# How To Choose The Right VMI Solution Provider

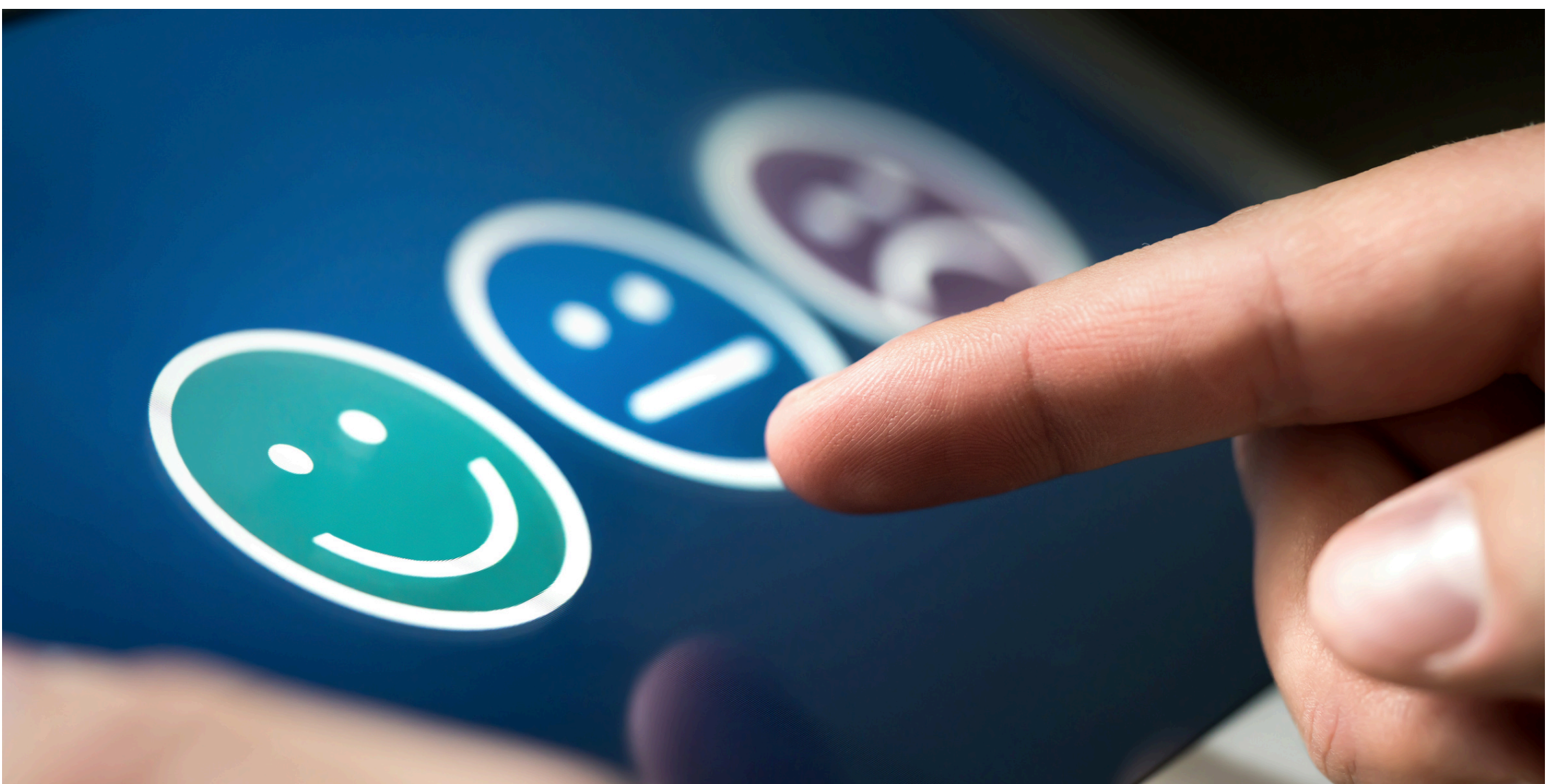
As we've highlighted, VMI offers remarkable cost savings, time efficiency and operational boosts for your business – not to mention helping to foster mutually beneficial relationships with suppliers. But the question remains: how do you choose the right inventory management solutions for you? It can be tricky to select the right VMI strategy for your area of manufacturing but there are some tried and tested methods to help you make the right choice.

First, it's essential that you check their validity and reliability and then look for case studies, reviews and testimonials which should be readily available online. If you can't find any trustworthy reviews or case studies, then you'll be making an uninformed and risky decision.

It's also a good idea to look at their experience. How long have they been trading? What are their accreditations and awards? Can they demonstrate a tried and trusted operation in your field? When you open a dialogue, give them the space and opportunity to demonstrate a strong understanding of your business needs and specific inventory challenges. You should have a good idea of what these areas are so you'll know when a provider really gets what your requirements might be.

As well as the experience and understanding they will need to have the technical capability to deliver. This means having a robust IT infrastructure and system for seamless data exchange.

The most effective vendor managed inventory solutions should also provide excellent customer service and communicate openly and honestly. It should be possible to get a good feel for the level of communication and service before you commit to any VMI system. If something is not right in this area, it might be better to look elsewhere.





# VMI Solutions In Summary

So, how does VMI improve supply chain performance and how can it help you to build your business and avoid procurement obstacles? As illustrated above, VMI operates in clear, effective ways.

By adopting VMI solutions you can reduce costs by minimising stock holdings and saving storage space, as well as freeing up time on manual inventory tasks. This can allow for better forecasting and strategic procurement activities and provide real-time data and automatic stock replenishment.

If you want to avoid stockouts and production stoppages, and gain a broader view of your supply chain, then VMI is your answer. Moreover, cultivating strong supplier relationships, enhances trust and reliability, fortifying your business's foundation.



[Download our Vendwise brochure today](#) to discover the transformative potential of our VMI solutions today! Offering 100% real time replenishment solutions, round-the-clock availability alongside cloud-based reporting, our Vendwise inventory management solutions can help you to manage stock levels efficiently, streamline workflows, boost traceability and reporting, and ultimately drive your business growth to new heights!