



Summary

- ▶ Haldex understood the value of VMI, but their in-house system was difficult and expensive to operate.
- ▶ After checking with other industry leaders, Haldex selected Datalliance VMI service.
- ▶ Now Haldex is able to focus on working with distributors - not "managing the system."

The Haldex Group provides proprietary and innovative vehicle technology solutions to the global vehicle industry, with a focus on products that improve safety, the environment and vehicle dynamics. Haldex divisions include: Commercial Vehicle Systems, Hydraulic Systems, Traction Systems, and Garphyttan Wire. As part of their business strategy, Haldex strives to be a technology leader in the heavy duty industry.

Initial VMI Implementation Challenges

Haldex identified Vendor Managed Inventory (VMI) as a value-added service that would provide a competitive advantage with key distributors. Mike Regan, Haldex Director of Business Development, explains, "Increased sales and market share were the bottom line business metrics that drove our commitment to VMI. We also saw value in the underlying VMI business process that would allow us to build stronger relationships with our distributors. By sharing actual product sales performance data, we believed that VMI would encourage more collaborative relationships, benefiting both Haldex and our distributors."

Initially, Haldex thought the best way to implement VMI was to install and operate an in-house system. Bryan Long, Haldex Business Development Program Manager, recalls the problems with that early approach, "We selected a commercial VMI software package to be implemented on our in-house servers. Before bringing up any distributors, we had to install and test the software and try to build internal technical expertise specific to the software package. The cumulative time to get our first distributor up was almost 14 months." The resource and time consuming process included installing the software, writing interfaces to the Haldex ERP system, data formatting and cleansing, and testing. Just to get the software up and running took close to 12 months. "This time was really wasted in our effort to get VMI up and running with key distributors," adds Long.

Once they got the system operational, it took Haldex another 8 weeks to get distributor specific data defined and parallel tested in order to get their first distributor live. Long notes, "We realized it was going to be a major effort to bring up every new distributor as we had to go through this entire process for each one. We figured out that it would take 2-4 months to bring up each new distributor. That time frame was not acceptable to us."

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Bryan Long
Business Development Program Manager
Haldex

Haldex also had to maintain the software and keep all the relevant data current – software upgrades, product information, distributor relationships, etc. It was taking a full time IT resource just to manage the software and maintain required interfaces and related data.

"In the end, we concluded that we were spending way too much time managing and maintaining our VMI system rather than focusing on developing our business relationships and growing sales with our key distributors," explains Long. "We actually had some distributors that weren't comfortable going onto our VMI program because they didn't have confidence in our system."

Datalliance Selected for "Next Generation" VMI Program

After struggling with the drawn out implementation of their in-house VMI software system, Haldex decided to look for a better way to implement VMI. Still convinced that VMI would provide a strategic advantage, they needed a quicker, easier alternative. "Our traditional software implementation was not delivering results and we were wasting valuable time," says Regan.



When Haldex investigated how other companies were doing VMI, they found that many suppliers and distributors were using Datalliance VMI. Long states, "We discovered that Datalliance is the most widely accepted and proven VMI service in our industry. Because of Datalliance's leadership position, the major ERP software vendors have standardized interfaces that are already in use by many companies. Also, after first experience, the software-as-a-service model was very appealing."

Elaborating on why Haldex ultimately selected Datalliance, Long says, "Datalliance has an excellent reputation across multiple industries, and that was very important to us. In fact, it seemed to us that Datalliance had quietly become the de facto standard for VMI in the heavy duty industry among others."

Several of Haldex's key customers also supported the selection of Datalliance, because they were using it with other suppliers. Long explains, "They knew Datalliance, trusted it, and would not have to learn something new. That was all we needed to make the switch over to Datalliance. We're now seeing that distributors who were hesitating to sign up for our initial VMI program are now very interested in our Datalliance-based VMI program."

Faster, Easier Implementation Drives Results

Moving to the Software as a Service (SaaS) model used by Datalliance was a significant decision factor for Haldex. "The SaaS approach made a lot of sense to us," says Long.

"Because Datalliance is a service we don't have to deal with all the issues of managing and maintaining the software and the associated data. This has eliminated our need for an internal IT resource dedicated to VMI system support and allowed us to focus on getting VMI up and running with key distributors. We knew we were on the right track when we were able to get our data loaded and Datalliance up and running in a fraction of the time it took to get our previous system ready to use. This is a huge benefit, as it allows us to realize benefits sooner."

Adding a new distributor to Datalliance now takes minimum time and effort. "Datalliance works with us to load the needed distributor data. They have the specific processes and procedures, and the experience from doing this many times over, to do it quickly and efficiently. We can now get a new distributor up and running on Datalliance VMI in approximately four weeks. This is half the time it took with our previous VMI environment. With Datalliance, their VMI experts do most of the work which greatly reduces our effort."

Another key benefit from VMI at this point is the increased visibility Haldex has into their key distributors' sales

performance. Long emphasizes, "This visibility helps us establish a stronger bond with our customers as we are better able to collaboratively work on strategies to grow sales. Prior to VMI we did not have the performance visibility to analyze market needs and react accordingly. By sharing detailed performance data we have developed mutual trust. This elevated level of trust is mandatory as it allows us to proactively generate product replenishment orders based on actual market demand and trends. This is proving to be as mutually beneficial for Haldex as it is for our distributors."

Haldex and their distributors are realizing substantial results from VMI now that Haldex has moved to Datalliance. "A good example of the potential of VMI is what we've been able to do with Point Spring Company, one of our primary distributors," explains Long. In less than a year we've increased sales by 33%, expanded our product offering carried by Point Spring by 61%, and increased their inventory turns 23%. These are exactly the results we were looking for with VMI. In another case, Midwest Wheel, another valuable distributor, has reduced stock-outs by 41% while increasing our product range by nearly 5%. This means we're doing a better job of providing them with the right products, at appropriate quantities to meet their demand."

Referring to the fact that Datalliance VMI is much more than just a computer system, Long adds, "We could not have implemented VMI as quickly and easily as we did without the extraordinary support the Customer Care experts at Datalliance provided us from the first day. They respond immediately to every question and issue we throw at them. We have great confidence in both their technical knowledge and their functional VMI expertise." Long concludes, "The Datalliance service is a great solution – it's making it far easier for us to get the results we're after with VMI."

With Datalliance VMI, Haldex:

- Can now get new distributors up and running in just 4 weeks
- No longer worries about "system" issues
- Utilizes Datalliance's VMI experts in addition to web-based reporting and analysis
- Has greater visibility of distributor performance than with original system

About Datalliance

Datalliance is the world's largest independent VMI service provider. Delivered as a managed service via the Internet using the "Software as a Service" (SaaS) model, Datalliance VMI makes it easy for suppliers and their customers to establish effective VMI relationships that fully align business objectives, improve collaboration, and streamline supply chain operations. For more information about Datalliance and VMI, please visit: www.datalliance.com.



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