

Midway Truck Parts Improves Business Results and Supplier Relationship with VMI



Summary

- ▶ Midway Truck Parts, in order to maintain a level of high customer service, needed to enhance their business relationship with their suppliers.
- ▶ A primary supplier to Midway, SKF, suggested Midway join their VMI program.
- ▶ With the help of Datalliance, Midway was able to improve Turns, Stockouts, and most importantly, Customer Service.

Midway Truck Parts is a leading distributor of heavy duty truck parts in the mid-west region of the United States. In 2005, Midway was named Truck Parts Distributor of the Year by Truck Parts & Service magazine. In addition to providing a full range of truck parts, Midway is part of the VIPAR VIPro TruckForce service center network with twelve service locations across Illinois and Missouri. The VIPAR network of distributors includes specialists who serve the needs of their customers from over 500 locations across the United States, Canada, and Puerto Rico.

Midway's Business Challenge

Roger Egeland, Product Manager, Midway Truck Parts, describes how insight into their customer's needs and demands is key to building customer loyalty. "It is not only important to understand customer needs and respond with stocking those products on a timely basis, but we must accomplish this in a cost-effective manner," explains Egeland. "It would be easy if we could stock every part in significant quantities to meet any possible demand, but that is cost prohibitive."

"Our challenge is to better anticipate our customers' needs, stock those parts at quantities to meet demand levels and replenish our stock in a timely manner. Of course, we also need to minimize our inventory investment to guarantee a positive bottom line. That might sound straightforward, but when your purchasing department is dealing with 400 suppliers, thousands of parts and varying demand for those parts, the challenge is significant."

"Our purchasing staff would like to work closer with our suppliers, but they just don't have the time. Their effort is focused on making sure they have orders in place with our suppliers to meet the short term demand. At the end of the day there just isn't any time left to work on a more strategic level with our key suppliers."

"As a result of our success with SKF and Datalliance, Midway will certainly look to move to VMI with our other large suppliers."

Roger Egeland
Product Manager
Midway Truck Parts

Major Supplier Recommends VMI

SKF, one of Midway's primary suppliers, approached Midway and encouraged them to participate in their Vendor Managed Inventory (VMI) program. SKF is a global supplier of rolling bearings, seals, mechatronics, and lubrication systems. SKF wanted to enhance their relationship with Midway by using VMI to help manage their inventory replenishment process.

Egeland says "After hearing about the benefits of VMI and SKF's success with other distributors, we quickly realized that VMI could help us. SKF introduced us to Datalliance, their VMI partner. We were pleased that the Datalliance VMI service is delivered via the Software as a Service (SaaS) model. The SaaS approach, along with the support of the Datalliance Customer Care team, allowed us to implement VMI quickly and with minimal IT resources on our end."



Results

After a little more than one year of using Datalliance VMI with SKF, Midway has realized business results in several areas. "First, our purchasing manager is much more efficient managing the SKF product line. What used to take him hours a week, now takes him 15-20 minutes. He simply reviews and verifies what Datalliance recommends. He might make a minor adjustment here or there, but he has developed total confidence in the Datalliance logic and resulting orders. Our inventory replenishment process has been streamlined, and it is more accurate at determining customer demand and placing timely orders to cover that demand. This allows our purchasing manager to work more strategically with SKF instead of spending time on short term order issues."

"One of our biggest VMI benefits is improved customer service. Since implementing VMI, our out-of-stocks have decreased 64%! That's a significant improvement that tells us we now have the right products on the shelf. Our VMI orders for SKF products are now more accurate and timely. The confidence level of both our counter workers and our customers has risen. As a result of this increased confidence, demand for SKF products over this time period has increased 32% and sales dollar volume 10%. VMI gives us the information to fine tune our product mix. These impressive bottom line results are directly related to VMI and our improved customer service and inventory management capabilities."

From an inventory management and replenishment perspective, VMI has helped Midway increase inventory turns which has resulted in improved cash flow. "Since moving to VMI for our SKF product line, our inventory turns have improved 10%. Now that our product mix more accurately reflects customer demand, inventory is turning over quicker which results in an increase in cash flow and a decrease in carrying costs. Datalliance VMI also recognizes what parts are potentially obsolete which allows us to return those parts to SKF and remove them from our inventory."

"VMI has improved our relationship with SKF and provides us time to work on strategic initiatives to grow sales and not spend time on fire fighting issues related to individual orders. Datalliance handles the day-to-day order process with little intervention required from Midway or SKF. Through VMI, we are communicating more effectively with SKF and we both have a much better handle on the product needs and trends of our end customers. As a result of our success with SKF and Datalliance, Midway will certainly look to move to VMI with our other large suppliers. Internally, we refer to the business growth that we have experienced through VMI as 'Datalliance VMI growth'. We are hopeful that we can realize the same results as we replicate this VMI process with other suppliers."

Supplier Perspective

"SKF has used VMI with great success for many years," states Dennis Osiecki, SKF Regional Manager.

"We were confident that Midway and SKF could mutually benefit by utilizing the Datalliance VMI service.

The results that Midway has achieved in increased sales, reduced stockouts, and increased inventory turns, says it all."

From a supplier perspective, VMI is now giving both Midway and SKF detailed customer demand information. Customers are now more loyal to Midway as they have confidence that

SKF products are available when they need them. This loyalty allows Midway to expand the breadth of SKF products that they carry, resulting in increased sales across a broader range of products.

We know that VMI is a loyalty building tool so we drive as many of our large distributors to VMI as possible. The result is always the same — an improved relationship with our distributor and mutually beneficial business results for both of us."

SKF attributes much of the success to the support that Datalliance provides to get distributors up and running on VMI quickly and efficiently. "Datalliance is the leading provider of VMI solutions in our industry. Their Customer Care staff is second to none and we count on them to work with our distributors to drive us to world class VMI. Datalliance has good people and they are experts on VMI."

VMI Delivers Business Results:

- Stockouts decreased 64%
- Product Demand Increased 32%
- Sales Dollar Volume Increased 10%
- Inventory Turns Improved 10%

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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