



Point Spring Improves Inventory Efficiency With VMI



Summary

- ▶ Point Spring and Driveshaft Company in an effort to maintain high customer service standards needed to drive down stock-outs
- ▶ Industry research lead them to Datalliance VMI to help them manage thier inventory investment more effectively
- ▶ PSD was able to increase sales and improve customer fill rates with some of their top suppliers

VENDOR MANAGED INVENTORY
SUCCESS STORY

Point Spring & Driveshaft Company (PSD) is a leading distributor of medium and heavy-duty truck parts to customers ranging from individual owner-operators to large, nationwide fleet operators, including UPS and the U.S. Postal Service. Founded in 1926, the company specializes in driveline, brakes, suspension, and hydraulics, representing over 200 product lines. In 1997 PSD merged with Brake Drum & Equipment Company to expand their scope of expertise and better serve their customers. In addition to providing a broad range of quality parts, PSD has differentiated itself in the truck parts industry through superior customer service. Out of 5,000 truck parts distributors, PSD was recently recognized by Truck Parts & Service Magazine as one of the top five distributors in the United States.

Business Challenge

PSD has some of the industry's most knowledgeable people who work with customers to analyze vehicle problems and then identify the parts needed to get their equipment back up and running. The critical component of PSD's success is to have the right parts available at the right time. Bill Ryan, Point Spring CEO, states, "Our emphasis has always been to consistently ensure a high level of customer service. We do whatever is required to get parts to our customers in the shortest amount of time. When we don't have the right parts on-hand, the process of expediting orders drives our costs up and therefore, reduces our margins and potential profit."

Prior to using VMI, PSD counted on their legacy business systems to manage inventory. These traditional business systems were sufficient, but they had limitations. Critical inventory activity information was not updated frequently enough to maintain a clear picture of fluctuating customer demand. "These systems were slow to react which put us in stock-out situations and forced us to expedite orders at substantial increase in costs, in order to maintain our customer service commitments," explains Ryan. "We had to spend a lot of time working on the specifics of customer orders to get a clear picture of inventory. Talented,

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Bill Ryan
CEO
Point Spring

mid-level managers were spending valuable time verifying and placing individual orders instead of working on bigger issues and opportunities that would benefit our business on a much broader scale."

Ryan continues, "As a distributor, we serve as a conduit between our end customers and the suppliers that manufacture the truck parts. In this business relationship, the suppliers are critically important to us. We build and manage the customer relationships, but without a close working relationship with our suppliers, our ability to satisfy the demand of our customers is severely affected. In looking at how other channels were managing inventory and their supplier relationships, we found many of the leading companies were using VMI to gain the benefits that we were looking for. Our research led us to Datalliance and their Datalliance VMI service. The Datalliance VMI service was being successfully used in our industry which is the proof that we were looking for that VMI could help us manage our inventory investment more effectively."



Solution / Results

Today, VMI helps PSD effectively manage inventory, not only by having the right parts, but by having the appropriate quantity of a specific part in stock, when the customer needs it. Ryan explains the inventory management challenge, "On one extreme we could ensure complete customer satisfaction if we stocked high quantities of every possible part. Of course, this approach is cost prohibitive. If we cut inventory quantities drastically, we could cut costs, but at the expense of customer service – which is not an option for us. VMI is the tool that helps us balance these two extremes by continuously fine tuning our inventory requirements. VMI considers all of the factors that impact inventory, and then plans timely replenishment orders at minimum investment levels while maintaining, or even improving upon our industry leading customer service performance."

Today PSD is much smarter about how they manage inventory. They have also reduced their reaction time, allowing quick response to customer demand and communication with key suppliers. "Our sales are up 7-10%, even higher in our VMI lines, but at the same time, we have not had to increase inventory," notes Ryan. "By having the right combination of inventory on-hand, we decrease inventory carrying costs and expediting costs, which directly increases our margins and ultimately our profits."

PSD's staff became quick believers in VMI when they realized that the automated order analysis performed by VMI was picking up things that they would not catch in their normal process. Within the VMI product lines, VMI routinely handles 85% of the parts, resulting in more accurate information and a better mix of inventory. Ryan explains, "This frees up our inventory managers to focus on the 15% of the orders that require special attention. This customer service attention to the unique situations is recognized by our customers and certainly helps to differentiate us in the marketplace."

The value of VMI became more evident to PSD during a recent upturn in business volume experienced as a result of an improving economy. "Our customer service fill rate for our non-VMI product lines dropped to around 85%, but our VMI product lines actually increased slightly to 96%," states Ryan. "This is a good example of how closely VMI monitors a variety of business factors and reacts quickly to satisfy increasing customer demand."

PSD has also found that VMI benefits their suppliers. By communicating customer demand to suppliers on a daily basis, they are able to build level forecasts and manufacturing plans that meet that demand in a timely manner. "We absolutely value our suppliers that use VMI, and have set an objective to convert our top 15 suppliers to VMI as soon as possible," concludes Ryan. "Results speak for themselves – because we can reduce our costs and improve our margins with VMI suppliers, we reward them with more of our business."

Why Datalliance

PSD wanted a company and a VMI service that had experience in the heavy-duty truck parts business. "After doing some research and talking to other suppliers and distributors, we concluded that Datalliance was the VMI leader in our industry," states Ryan. "I can't imagine anyone better than Datalliance – they pulled us through our initial setup and they continue to help with the ongoing education of our inventory management staff. We attribute a great deal of our success to our close working relationship with Datalliance."

VMI Delivers Business Results:

- Increased Sales 7 - 10% with no increase in inventory (Improved margins and competitive position)
- Improved efficiency of inventory control staff
- Decrease in inventory carrying and expediting costs
- Improved customer fill rate to 96% during business upturn

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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