



SKF VSM Builds Customer Loyalty with VMI



Summary

- ▶ SKF VSM wanted a way to increase product sales and improve efficiencies for both them and their distributors.
- ▶ SKF VSM looked to Datalliance to provide a comprehensive VMI model that allowed them to reach their goals.
- ▶ SKF VSM implemented VMI with Midwest Wheel, who quickly realized positive results in only eight months.

SKF Vehicle Service Market North America is a leading supplier of bearings and fluid sealing devices to the heavy duty truck, automotive, farm equipment, and recreational vehicle aftermarkets. SKF VSM's success is directly linked to their ability to move their products to distributors quickly and efficiently.

SKF VSM's Director of Electronic Commerce, Craig Young, states, "As we are constantly striving to improve our overall business processes, we focus specifically on areas that directly impact our ability to service our customer demands. One way in which we have realized significant gains is by using Datalliance VMI, delivered as a managed service via the Internet"

"We believe that Vendor Managed Inventory not only helps increase sales for us and for our distributors, but it also allows us to build stronger, more loyal customer relationships. In addition to being the preferred supplier based on product quality and price, we want our customers to recognize us for superior customer service performance."

In the early 1990's, SKF VSM researched the concept of Vendor Managed Inventory. Young recalls, "We were immediately convinced that both our company and our customers could benefit substantially from this approach to inventory management. Our challenge at that time was that we did not have the resources or the detailed knowledge to seriously pursue VMI. A few years later, several industry associations were praising the competitive advantages of VMI. This exposure re-ignited our interest."

"Our objectives for VMI were simple, yet very strategic – VMI was a means to increase product sales and improve efficiencies for both our distributors and ourselves." Armed with this knowledge, SKF VSM approached several distributors they believed would welcome the opportunity to reduce their inventory as a result of VMI's daily review and replenishment process. "These forward-thinking distributors embraced the concept of VMI and its benefits to them," describes Young. "We knew it was also good business for us."

“We believe that Vendor Managed Inventory not only helps increase sales for us and for our distributors, but it also allows us to build stronger, more loyal customer relationships.”

Craig Young
Director of Electronic Commerce
SKF VSM

Prior to selecting a VMI solution, SKF VSM reviewed a variety of alternatives. They sought a solution to fit the functional requirements of their industry and customers. Young explains, "Our primary concern was the ability to review and report inventory activity daily and execute replenishment orders for a high number of individual parts on a weekly basis. We found that the Datalliance VMI service was the best system match for our industry. In retrospect, the Software as a Service (SaaS) model that Datalliance employs turns out to be just as important as the system functionality."

Many of the systems SKF VSM investigated were traditional software packages that the purchaser must install, test, and then customize for their implementation. They realized that this traditional software implementation approach would require hardware investment, IT staff, and most importantly time. Young emphasizes, "We didn't have a surplus of any of these necessary resources. Providing Datalliance through the SaaS model allows us to ignore the typical hardware and software issues. Datalliance manages all of those variables for us."



VENDOR MANAGED INVENTORY
SUCCESS STORY

"As it turns out, scalability is not even an issue that we worry about. As we bring more distributors and parts online, Datalliance ensures that the software and hardware are capable of handling our ever-increasing volume of customers and transactions. With these issues in the hands of the experts at Datalliance, we can focus on our business where we are the experts!"

Timing was another deciding factor for SKF VSM. Once they sold the benefits of VMI to their key distributors, they were committed to realizing the vision they had promoted. "Once again, the SaaS approach proved to be an advantage, as we were able to implement the system quickly," states Young. "Minimizing our upfront time, resources, and costs allowed us to realize a much quicker ROI. That continues to be the case today, as we are able to bring on additional distributors quickly and easily, with no additional people or hardware resources."

SKF VSM was also concerned about their ability to support VMI internally. "We needed to get off on the right foot to gain the confidence of our distributors," says Young. "This is where the Datalliance organization really came through for us. Their experience and expertise impressed our distributors and allowed us all to implement VMI very efficiently. For both SKF VSM and our customers, the end result was a quick, effective implementation that led to an immediate improvement in the way we do business. It would take us a long time to build the knowledge base about VMI that the Datalliance team brings to the table."

Distributors Quickly Realize Results

SKF VSM initially implemented VMI with several of their progressive distributors. "One of our first distributors to utilize our VMI system was Midwest Wheel, a major customer in the heavy duty market with eight distribution warehouses," explains Young. "Midwest Wheel is aggressive when it comes to initiating new and better ways to run their business. Their objectives are to streamline the process of doing business with us, reduce inventory, and increase sales. Though this seems like the ultimate wish list for any distributor, their results are quite impressive."

Steve McEnany, Assistant Vice President Marketing and e-Commerce, Midwest Wheel, says, "We have increased sales 14%, decreased inventory 13%, increased inventory turns 50%, maintained in-stock performance at 99%, and decreased administrative costs associated with inventory replenishment by 50%." Young comments, "These positive results were realized in only eight months and at a time when the overall industry was experiencing a 12% downturn in demand. We fully expect these results to improve even more with time. In response, our sales to Midwest Wheel increased accordingly over this time period." Midwest Wheel has also found that VMI enhances their daily

business processes. McEnany continues, "By generating replenishment orders for our individual branch locations, VMI helps us eliminate the need to transfer product from warehouse to warehouse. This improves our customer service and makes us more efficient."

The success of the VMI project with Midwest Wheel provided such significant results that they soon brought more of their business to SKF VSM. "Many of the cost savings with this customer can be traced to the improvement in the overall way of doing business with VMI," states Young. "Through the VMI information that we receive daily, we have a much better understanding of the sales patterns and trends of our distributor. By better knowing their business, we are now able to be proactive in planning for, and satisfying their demand for our products. For example, as a result of the daily VMI communication, we have totally eliminated purchase order data errors. This ensures quick and accurate order processing. Prior to VMI, it took time and resources to resolve these errors that potentially caused shipping delays."

VMI Delivers Business Results:

- Sales Increased 14%
- Inventory Decreased 13%
- Inventory Turns Improved 50%
- In-stock Performance 99%

VMI Helps Build Customer Loyalty

Young concludes, "We see the benefits of VMI continuing at SKF VSM as we expand VMI to more of our distributors. Some of our greatest advocates for VMI are our customer service managers. They are closer to their customers and now have the information and understanding of their customer's businesses to be proactive in their support efforts. Close working relationships build customer loyalty – that's a difficult thing to build in our markets and an invaluable asset for any business."

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.



9916 Carver Road, Suite 500
Cincinnati, OH 45242
888-364-3361
www.datalliance.com