



SOP - Vendor Managed Inventory

Iptor IP1

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1. Introduction

Vendor Managed Inventory (VMI) is a business model where the supplier is responsible for maintaining an agreed level of inventory of their products at the customer location, usually a store. The products will be issued on consignment and sold to the customer when the customer sells the products to the end consumer.

The VMI application will enable forecasts by store location and ensure stock is replenished in a timely manner. It will help to ensure that stock does not run out at these locations. The user can track the transactions by store and can extract an output of all stock at the various locations via an excel output. Replenishments can be scheduled to run on a nightly basis and replenishment orders received on a daily basis or as required.

At the end of the cycle consignment returns process should be initiated to allow all unsold stock from the store to be returned and inventory updated. Unsold stock could be transferred to another store location if required.

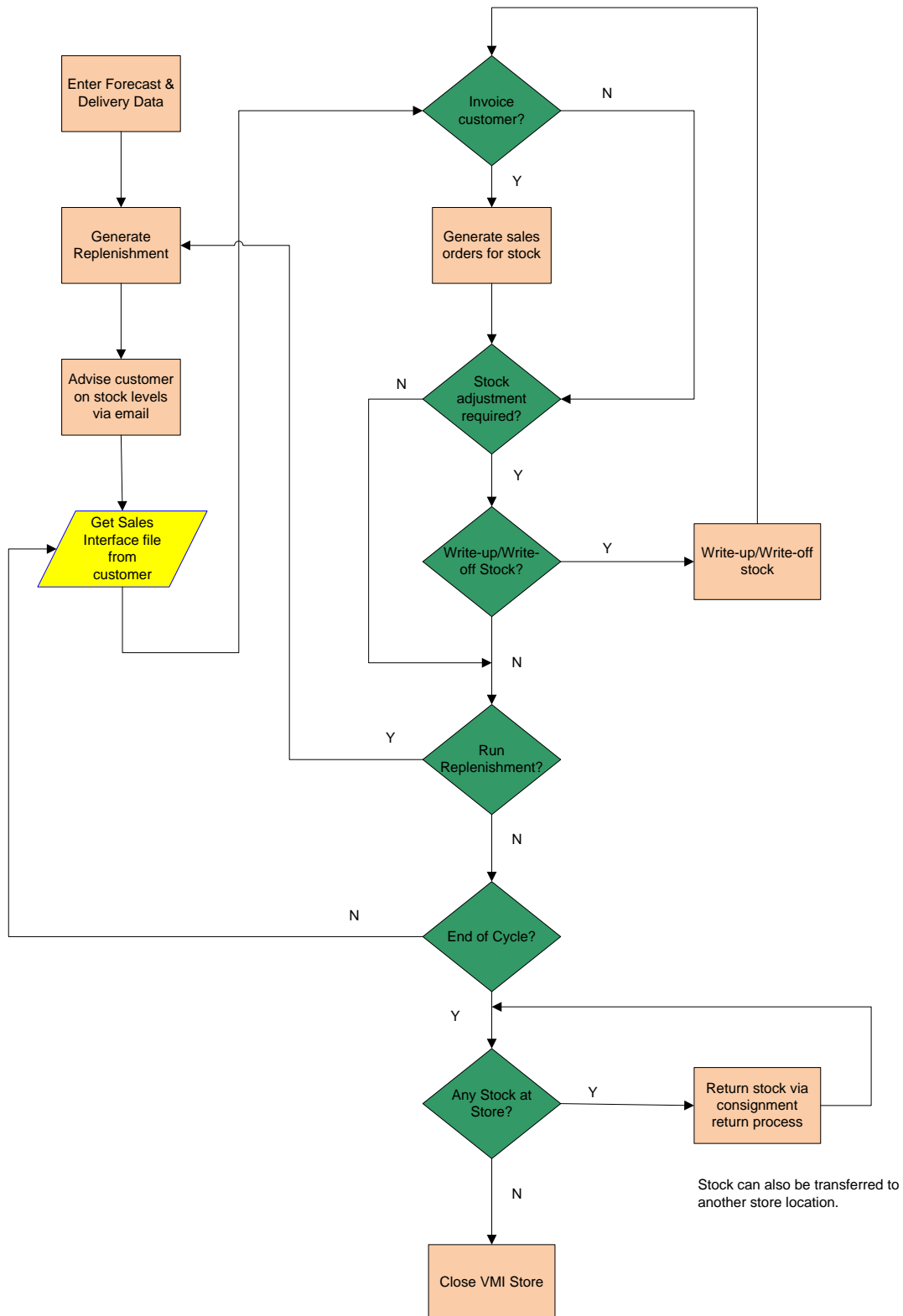
All sales information must be sent to the supplier so the sales transactions can be generated followed by invoicing.

The supplier can also act as an agent or a consignee for products of another supplier. These third party consigned stocks can in turn be consigned to the customer. When these products are sold by the customer to the end consumer, the supplier will pay the third party supplier for the sold products. The third party supplier can be paid the full sales amount and a separate invoice can be generated to the third party supplier for commission and fulfilment services.

2. Process Flow

Please refer to the following system process flow for VMI processing:

VMI Process Flow



3. Setup

Business rules for VMI processing must be setup with support from IBS consultants.

Note: It is critical to understand the setting of control files and how it works. Control files must be setup correctly for the system to operate as intended. Any changes to the control files setup should be addressed cautiously and in consultation with IBS Bookmaster consultants.

The following business rules have to be setup for VMI processing. This document does not cover customised setup tasks of specific companies. The purpose of this document is to assist IBS consultants setup appropriate business rules at a customer site for the specified process.

Note: Deviations from this setup should be covered by setup tasks written by individual companies.

| Business Rule | Description | Task |
|----------------|--------------------------------|---|
| TMSDS/TR-DST | Document sub-type | Add new document sub-type 'ET'=Adjustment for consignment transfer for VMI processing. |
| TMSDS/VMI-DAY | VMI: Day of week | This is a system defined control file to hold code for each day of the week for VMI programs. Used when capturing delivery details for a forecast. |
| TMSDS/OM-OT0 | Order Type Definition | Setup order types and the defaults for VMI Transfer and VMI Sales. |
| TMSDS/OM-OT1 | Order Type Field Default Rules | For each Order Type defined in TMSDS/OM-OT0, enter the default rules/values for the fields. |
| TMSDS/VMI-DFT | VMI defaults | Define VMI processing defaults by company: <ol style="list-style-type: none">1. VMI warehouse = consignment warehouse for VMI stock. The consignment warehouse must be setup to store stock by customer no/customer reference (Level 1) on control file TMSDS/LC-STKL.2. Order type for VMI Issue3. Order type for VMI Sale4. Type of Sale (TOS) to be used for charging stock write-off.5. Minimum stock % level for replenishment. If the stock level of any items in the store falls below this level then the system will replenish. |
| TMSDS/VMI-EMLS | VMI default email sender | Use this control file to define the internal user whose email address will be used to send the VMI stock details to VMI stores. |

| | | |
|---------------|-----------------------------------|---|
| TMSDS/VMI-FCS | VMI defaults for forecast summary | Define the main warehouses with stock holdings for VMI processing. |
| TMSDS/VMI-FRQ | VMI: Delivery frequency | This is a system defined control file that defines the delivery frequency for VMI stores. Delivery frequency would calculate the next delivery date for the replenishment. |
| TMSDS/VMI-STS | VMI Status | This is a system defined control file that holds the statuses for the VMI forecast/plan. These are 'A' for Active; when the forecast/plan is created 'U' for Updating; when its being updated 'C' for Completed; when the forecast/plan has been finalised. |

4. Procedure

It is your responsibility to ensure that you understand this procedure before performing the following tasks. This document does not cover individual operation procedures of specific companies.

Note: Deviations from this procedure should be covered by procedures written by your company. Before performing any tasks please ensure all the business rules are set-up accordingly.

For detailed information on any of these tasks refer to the User Manuals.

4.1 Create a New VMI Forecast/Plan

| Step | Action |
|------|---|
| 1. | Add a new forecast plan for VMI customer/store with a unique VMI ID. Next delivery date must be entered when a new forecast is created, on subsequent replenishments the delivery date would be updated based on the delivery frequency and delivery day of the week. (DSW170). |
| 2. | Enter the delivery details for the store location and save the forecast. Stock can now be issued to the store location. Note: The status of the forecast on creation would be A for Active. |

4.2 Issue Stock/Generate VMI Replenishment

Replenishments can be scheduled to run on a regular basis.

| Step | Action |
|------|---|
| 1. | Run the VMI Replenishment Generation program. (DSO445). The generation program will issue the stock for picking/packing on the next issue date with delivery on the next delivery date. Note: The generated replenishment transactions can be viewed via Work with Vendor Managed Inventory (DSW170). It is essential that the generated replenishment transactions are approved on time to enable delivery by the scheduled delivery for the store. Replenishment can be scheduled to run as required to keep a consistent stock level. |

4.3 Work with VMI Forecast/Plan

From Work with VMI Plan, you can view existing transactions for the plan, see current stock levels, adjust stock levels, transfer stock to another VMI plan and email stock levels to customer contact.

| Step | Action |
|------|--------|
|------|--------|

| | |
|----|--|
| 1. | <u>View stock levels</u> View current stock levels for the VMI store. (DSW170 option stock inq). Stock levels can only be viewed for active VMI forecast/plans. Note: If the replenishment has run and the stock level has not been updated then check the issue and delivery dates for the plan. |
| 2. | <u>View Transactions</u> View all transactions generated for the VMI store/plan. These would be transactions for stock issue and sales of stock as well. (DSW170 option Transaction) |
| 3. | <u>Adjust stock levels</u> Adjust stock option can be used to adjust the stock level when required, thus allowing write-up or write-off of stock with the option to invoice the customer. Damaged stock can be written off. (DSW170 option Adjust stock) Note: Stock items can be manually entered for adjustments or all the stock items for the store can be automatically uploaded and allow you to adjust the required items.(DSW170) |
| 4. | <u>Replenish stock as required</u> Run replenishment generation as required to replenish stock that is lower than the maximum stock holdings (DSO445). Replenishments to a store is to be determined by minimum stock % as well as by a minimum weight of the items in demand. If total replenishment reaches either of the minimum requirements system will generate replenishments. Note: If there are any errors during replenishment generation it will be reported to workfile DSO445W1. |
| 5. | <u>Email stock levels</u> Email current stock levels to the store at any time to ensure the actual stock levels are accurate. (DSW170 option email stock) |
| 6. | <u>Transfer stock</u> If required any stock can be transferred to another VMI store at any time during the process.. (DSW170 option Transfer stock) |

4.4 Finalise VMI Stock

Before finalising stock, the customer must return all remaining stock using the normal consignment return process and any write-offs must be handled via stock adjustments.

| Step | Action |
|------|---|
| 1. | Return any remaining stock via normal consignment returns process. |
| 2. | With no remaining stock at the store, select the VMI plan and finalise the stock. (DSW170 option Finalise). The system will check stock levels and if there is no remaining stock it will update status to 'C' for complete. |