



VMI (Vendor Management Inventory): The importance of the consumer

Continuous replenishment systems are part of the ECR (Efficient Consumer Response) initiative to provide end clients with best value and service and the greatest variety of products.

This means having total synchronization between demand and supply throughout the supply chain by interchanging data between all of the parties involved in serving the consumer (suppliers, distributors, logistics operators).

VMI FLOW

VMI FLOW is a tool developed by Edicom with the contribution and collaboration of major manufacturers and distributors that facilitates continuous supply management of information shared between clients, suppliers, and logistic operators.

The information exchanged is analyzed with mathematical formulae of greater and lesser complexity which give an estimate of adjusted demand to process orders so that the exact amount of product required is delivered at the precise moment it is needed.

Components of the VMI system



Electronic Data Interchange (EDI)

Implementing a VMI tool requires the interchange of information between a client and a supplier. Information is managed electronically using the EDI system, which allows the exchange of structured messages in standardized formats such as EDIFACT, XML, X12, etc. Information shared on EDI platforms is automatically integrated with ERP systems, allowing maximum simplification of logistical processes in the distribution chain.



Forecasting demand

Stock and sales information received by the supplier are processed by specific applications which analyze the data and estimate demand. These applications process information and compare them with statistical records in the ERP. Using this information the VMI system applies parameterized algorithms based on the business's logistical requirements. This generates a result showing forecast demand for products at the sales points.



Purchase orders

Based on forecast demand, the VMI FLOW communications system generates purchase orders or shipping notifications which are processed using EDI and issued to clients to notify them of upcoming product deliveries. This means that partial product deliveries can be made to meet end-customer demand continuously and without interruption.



VMI FLOW
Replenishment of stock.

How it works ✓

VMI FLOW operation is based on the electronic information exchanged between clients and suppliers (usually via EDI systems) which integrate information on consumption, product rotation, and stock at the sales point through sales reports.

The information exchanged is integrated in the VMI FLOW system following a mapping and conversion process which extracts relevant data from the reports to be used in the forecast analysis. This analysis uses complex algorithms which consider patterns in consumption, rotation, manufacturing capacity, and delivery times to determine a forecast of stock deliveries.

The VMI solution can be configured to predict occasional increases in demand related to promotions or product seasonality and monitors forecast demand continuously, regardless of whether the demand pattern is linear or not.

The system generates a result, which proposes specific product orders to meet forecast demand. Once these proposals are accepted, the VMI FLOW solution integrates these data with the Electronic Data Interchange system, generating the final delivery orders which can be printed, exported as a plan, or transmitted via EDI.

VMI Flow – A collaborative solution for continuous client-supplier replenishment





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VMI FLOW

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Benefits ✓

- **Eliminates stock shortages:** VMI models provide an efficient response to the consumer, maintaining permanent and properly adjusted levels of stock to meet demand patterns at the sales point.
- **Reduces product and raw material inventories:** Stock levels are adjusted to demand, meaning the amount of inventory and raw materials can be reduced to streamline operations and management, especially in the case of perishable goods.
- **Optimizes resources:** Less warehouse space is required, there is more lead time for forecast sales, supplier orders are generated in advance, and transport is more efficient.
- **Increases sales:** The elimination of stock shortages leads to regular and stable consumption patterns which improves the service provided to the client and increases the number of product units sold at the distribution point.
- **Reduces costs:** All of the improvements mentioned here lead to significant reductions in direct costs.
- **Improves financial ratios:** Keeping stock levels low, increasing sales, streamlining operations, and forecasting demand over time all help to increase profitability and to better anticipate liquid assets, leading to better financial management for clients and suppliers.

Technical Specifications ✓

- **Record of VMI agreement template:** This allows key parameters of the agreement made with the client to be recorded, which are used to plan orders and adjust them to the requirements of contracted services.
- **Configuration of logistics units:** Minimum logistics units, safety stocks, delivery planning, transportation capacities, etc. can all be recorded.
- **Planning based on work schedules:** By identifying the work schedules of intermediary warehouses and commercial outlets, order proposals can be adjusted to provide service on work days.
- **Forecasting areas of demand:** Variables such as sales seasonality and promotions, which increase consumption at specific times, can be identified to adjust forecast production and delivery accordingly.
- **Multiple algorithms for forecasting demand:** Different mathematical formulae can be used to fine-tune the system to the particularities of each product or market.
- **Full integration with ERP and EDI systems:** The system is fully integratable with internal computer systems and their EDI solution, allowing purchase orders, shipping notices, etc. to be recorded, delivered, and managed.



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About EDICOM ✓

Edicom is a global leader in the development of technological platforms for B2B e-commerce solutions like EDI (Electronic Data Interchange) or Electronic Invoicing.

With a long history in the field of EDI, we currently have over 9000 clients worldwide, many of them leaders in their respective industries such as Unilever, Procter & Gamble, El Corte Inglés, Toys R'Us, etc.

Over 100 million commercial transactions are generated worldwide through Edicom's solutions in ASP – SaaS mode, throughout multiple sectors such as Retail, Healthcare, Logistics and Transportation, Automotive, Tourism, Finance, etc.

Edicom provides advanced technological solutions that enable users to outsource the administration and maintenance of large B2B communications platforms, achieving seamless operation of all systems.

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SOLUTIONS

- ▶ Application Service Provider
- ▶ EDI - Electronic Data Interchange
- ▶ Electronic Invoice
- ▶ Accounts Payable Integration
- ▶ EdicomData - GDSN Data Pool
- ▶ Continuous Replenishment CRP/VMI
- ▶ EDICOMNet - Private B2B communications network

CERTIFICATION AUTHORITY

- ▶ Issuing Electronic Certificates
- ▶ Remote Signature Services from Secure Device
- ▶ Timestamping
- ▶ Certified document safekeeping service

SERVICES

- ▶ International Support Center
- ▶ 24x7 System Monitoring
- ▶ Mapping Management
- ▶ Global Outsourcing
- ▶ Onboarding Projects
- ▶ Integral Partner Management

