

A close-up photograph of several industrial bolts. The top bolt is in sharp focus, showing its hexagonal head with '100' embossed on the top surface and 'BF' embossed in the center. Other bolts are visible in the background, slightly out of focus.

Unlock the Power of Vendor-Managed Inventory

11 Ways to Get the Most Out of Your VMI Partnership

If you often find you're running out of fasteners or have bins of them collecting dust, it's time to consider a powerful solution – vendor-managed inventory (VMI). This is a collaborative approach where your supplier manages your inventory levels, ensuring you always have the parts you need to meet your production demands.

Here are 11 ways to make an informed decision about VMI and get the most out of it for your business.



Determining if VMI Is Right for Your Business

VMI is best suited for companies that understand its value and are willing to share data with their partner. Ideal candidates are large or medium-sized OEMs with a stable demand for products. You should have a traditional assembly line with a predictable production schedule and use between 50 and 1,000 SKUs in your assembly process.



Choosing the Right Partner

Look beyond just price per unit and focus on the overall value a partner brings. The right partner can consolidate your C-class component supply chain, source globally, handle quality pre-approval, eliminate receiving and storage costs and reduce on-hand inventory carrying costs by up to 40%. They should be able to demonstrate total cost of ownership (TCO) savings, showing how they can optimize your entire supply chain for greater efficiency and profitability.

▶ ***A VMI partner can help reduce on-hand inventory carrying costs by up to 40%.***





Measuring Success

To track the success of your VMI program, monitor key performance indicators (KPIs) such as:

- ✓ **Inventory turnover rate**
- ✓ **Days of inventory on hand**
- ✓ **Order fill rate**
- ✓ **Backorder rate**
- ✓ **Inventory carrying costs**

Your VMI partner should provide easy access to real-time data on inventory levels, orders and consumption through a color-coded system (e.g., green, yellow, red) for clear visibility into supply chain health. This data helps everyone stay informed and proactive.



Implementing VMI

Look for a partner that engages key personnel, performs value stream mapping and proposes a customized VMI program based on your needs. This includes setting optimal inventory levels, placing workstations and implementing point-of-use delivery for the timely availability of materials.



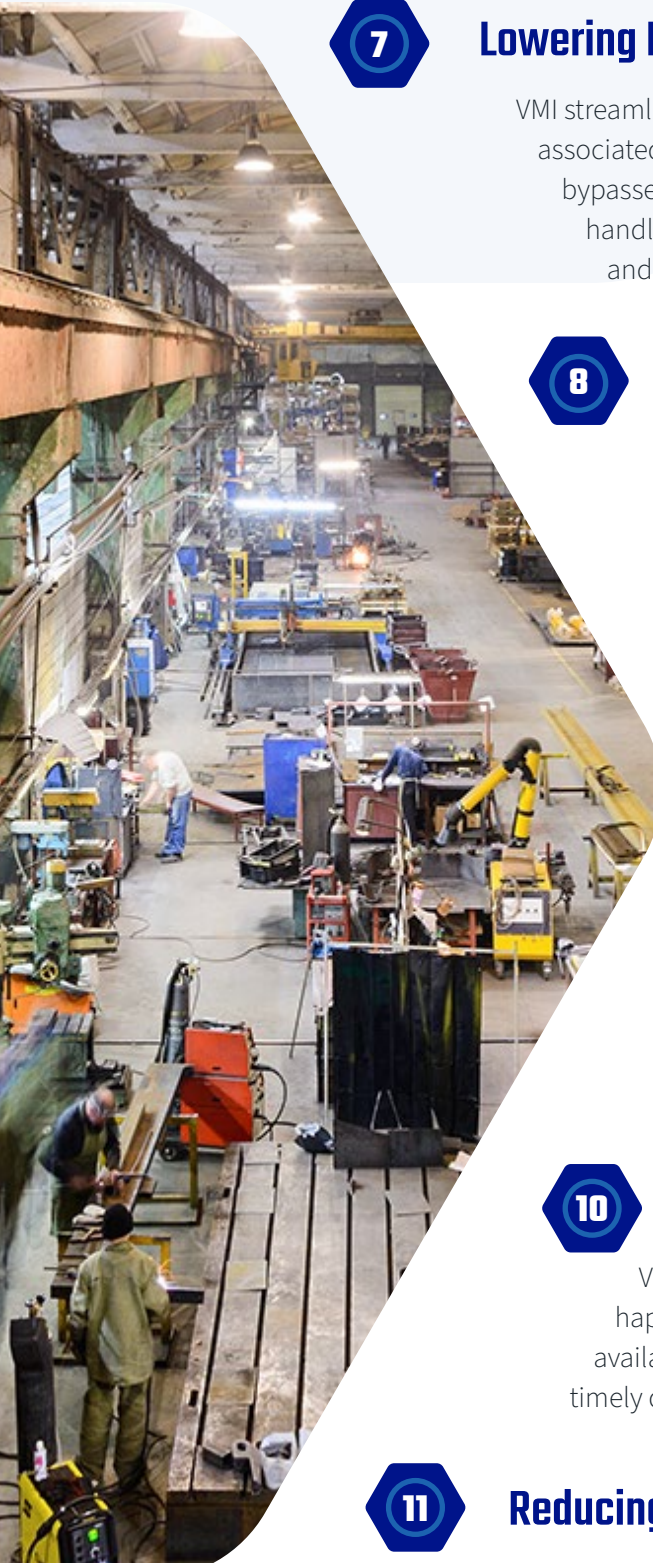
Reducing Lead Times

Lead times should vanish if your VMI partner proactively manages inventory levels, ensuring you always have the materials you need. A good VMI partner will keep your supply chain full to eliminate delays.



Minimizing Inventory Carrying Costs

Optimizing inventory levels with VMI reduces storage costs and financing expenses. Your VMI partner should use data to optimize your inventory levels, ensuring you have enough material for immediate use without carrying excess stock. This eliminates wasted space, storage costs and financing expenses, freeing up capital for other investments.



7

Lowering Labor Costs

VMI streamlines your operations by eliminating or reducing manual tasks associated with traditional inventory management. A single VMI partner bypasses your receiving, quality control and purchasing departments, handling all logistics and administrative duties. This frees up valuable time and significantly reduces labor costs.

8

Ensuring Quality

Choosing a VMI provider with expertise in quality control processes ensures product viability. They should start by getting your approval on parts and suppliers to meet your specifications. Once approved, they'll handle all quality control measures – ideally in an ISO-certified lab – to guarantee the quality of your materials.

► **Look for VMI partners that are ISO 9001-2015 certified at their manufacturing facilities.**

9

Freeing Up Capital

VMI unlocks hidden capital by optimizing your entire supply chain. It ultimately drives down your total cost of ownership by streamlining procurement processes, reducing labor costs, eliminating unnecessary suppliers, consolidating freight and rationalizing parts.

10

Improving Customer Satisfaction

VMI ensures timely deliveries and defect-free products, leading to happier customers. Streamlined inventory management and readily available parts improve throughput, resulting in smooth production and timely delivery of finished goods.

11

Reducing the Risk of Stockouts

Your VMI partner can monitor inventory levels and set alerts in your ERP system for critical parts to prevent stockouts. They can also analyze consumption patterns and address any issues before they disrupt your production.

VMI can make a lot of sense for businesses – if they choose the right partner. Having a strong VMI provider that provides value-added services in addition to regular stock replenishment is a great way to maximize the efficiency of your supply chain.

Optimize Your Inventory and Lower Your Total Operating Costs

Discover how to free up your team's time to focus on what matters with Birmingham Fastener Managed Inventory (BFMI).

[Explore Our VMI Solutions](#)

