VMI Checklist

Six Steps to Setting up Vendor-Managed Inventory

1. Form a VMI Partnership

The best VMI relationships are partnerships. Select a partner that has the experience, capability and foresight to deploy the VMI solution your organization requires. Both partners should clearly define expectations and establish open channels of communication. Be sure to discuss the products and processes in detail so that everyone is working from the same plan.

2. Organize

The transition to a VMI program will be easier if the existing inventory is organized and cataloged. Complete a count of all inventory items and decide how you are going to maintain this count moving forward. If the customer's inventory management system is missing pieces to make this process work, it may be the right time to implement better practices, such as labeling, so the transition to VMI goes smoothly.

3. Set Order Quantities

The vendor and distributor should set predetermined min, max, and re-order values ahead of time. Use of historical data and distributor sales knowledge will help determine optimal levels for each of these performance metrics. Then, once the system goes live, you can use these points and up-to-date inventory levels to replenishment orders.

4. Manage Inventory Data

VMI requires a reliable flow of good data about inventory. Data can be entered electronically via barcode scanners and other mobile devices, or entered manually. The manner of data entry depends on the environment, the required or desired speed of entry and retrieval, and budget. The next step is deciding how data is uploaded and stored. Information can be sent either in real time, or saved and uploaded or sent at a later time.
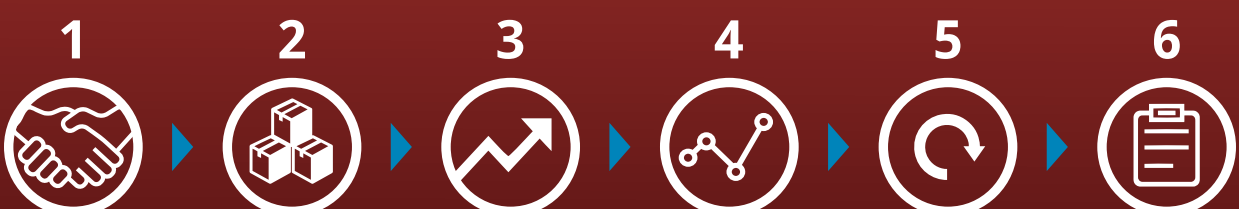
5. Choose a Replenishment System

Once the data is in hand, it's time to decide how to determine replenishment. Data should be audited and measured against the agreed upon replenishment benchmarks. This is how new orders are created. This can be done automatically through software, manually, or sometimes even a combination of both.

6. Determine an Order Process

The responsiveness of a VMI program allows for smaller timeframes and leaner overall inventory at customer locations. In order to achieve this, the vendor bases its replenishment process on the customer's actual targets and projections. Establishing VMI best practices like order quantities and inventory replenishment strategies gets easier once everyone has a clear picture of past demand and future plans. Executing a vendor managed inventory system is an ongoing process and you may need to re-evaluate certain stages from time to time as individual needs are ever evolving.

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