Tracking Your Fasteners

by:

Dennis R. Cowhey, CEO
Computer Insights, Inc.
108 3rd Street
Bloomingdale, IL 60108 USA
+1 630 893 4007
dcowhey@ci-inc.com
www.ci-inc.com

Vendor Managed Inventory On a Shoestring

New Technology Changes the Rules

Vendor Managed Inventory (VMI) programs are quite popular with fastener distributors and their customers. The idea is simply that the distributor controls the inventory (usually with bar-coded labels on the bins or the packages) so that the customer doesn't have to bother with it. The distributor gets a loyal customer and the customer has a balanced inventory with no shortages. Everybody wins.

Typically the fastener distributor would send a salesperson to the client. The salesperson would use a scanner that would read the bar codes and create an order to be taken or sent to the fastener distributor's office for replenishment.

Self-Serve Option

Now with the latest scanners, the cost of Vendor Managed Inventory systems has dropped dramatically. These new scanners cost only a few hundred dollars each, while the old scanners were often thousands of dollars apiece. Fastener distributors are using these scanners for their sales people to take orders, but they are also offering their customers a self-serve option. They send a scanner to the customer and the customer scans its own labels and submits them on-line directly to the fastener distributor.

Using this new technology, fastener distributors are serving customers thousands of miles away. They are beating the local competition with better service, not lower price.

The BUSINESS EDGE VMI Import Order screen (top) and Scan Sync utility screen (bottom).

Differentiation is Important

In today's competitive climate, every distributor is faced with the need to differentiate itself. Products are viewed as commodities, and price is always at the top of customers' minds. It is very difficult to build a business by always being the lowest-priced supplier. A better way is to offer unique customer-oriented services. A well organized VMI system is the perfect answer for many large industrial customers.

For manufacturers, fasteners and class C components are a hassle. Manufacturers need them to operate, but they are not very good at controlling them. The result is that they over-buy or they run out. Over-buying is costly, but running out can be disastrous. The problem is: how much time and money can they spend to control 2% of their purchases?

This is where a well-run VMI system can be a big differentiator for a distributor. These systems not only improve customer loyalty, but they also increase margins. Since the extra services add perceived value, the distributor can charge more for its products. The customer still saves money because it doesn't overstock, and if it is properly managed, never runs out of any product.

Customer Control

The new "thumb scanner", that is not much bigger than a quarter, captures the information from a single bar code on the bin or package. When that bar code is uploaded to a PC, either through a USB cable or a Bluetooth connection, the customer can see the entire order. The screen shows the vendor and customer product numbers, the bin location, the order quantity, the package quantity and the minimum and maximum for that part

New "thumb scanner".

for that bin. Customers have a chance to review the information and change order quantities as they like prior to submitting the order.

Order Submission

Once the customer is satisfied that the order is correct, the customer selects the submit button, and the order is transferred to its distributor immediately. Within seconds, the customer receives an acknowledgement that the order has been successfully submitted. The fastener distributor also gets an email saying that the order has arrived. The fastener distributor can upload the order to its system with the click of a button and send a final acknowledgement with all the details of the order.

End-to-End Inventory Control

This method of inventory management is easy to manage, and it is exceptionally effective. Since the actual usage drives the orders for parts, inventory levels are maintained at an optimum level. The re-order quantities can be easily adjusted and refined as the system is used. The data capture is automatic and based on a single bar code. The information is uploaded directly into the fastener distributor's system with no re-keying or additional processing required. The customer gets an immediate acknowledgement of the order that even includes part location information.

Detailed usage reports by part and location are available on demand. The fastener distributor can tell the customer more about its usage than the customer could ever determine on its own. The result is a cost-effective, accurate, efficient, easy-to-use system for complete end-to-end control of the inventory being managed. This creates loyal customers who are much less price sensitive, even in these difficult times.
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Dennis, R. Cowhey, CEO – Started **Computer Insights** in 1981. He served for many years on the **Illinois CPA Society Computer Information Systems Committee**. He is a frequent author of articles for industry trade magazines. Before starting Computer Insights, he served as Central District Manager for a division of **Litton Industries** (now part of **Rockwell**), that offered inventory control systems to retailers. Prior to that, he was a Credit and Financial Analyst for National Credit Office division of **Dun & Bradstreet, Inc**. Cowhey received his education at **Chicago City College** and **DePaul University**.

Computer Insights, Inc. provides the fastener industry with The BUSINESS EDGE 2.0 software system for efficient tracking of fasteners.