

Supply Chain Innovation: VMI

Leading American fast food restaurant chain leverages Bricz as part of their Supply Chain Innovation strategy to analyze Store Inventory Management processes and investigate Vendor Managed Inventory (VMI)

The fast food chain operates in 47 states in the US, with about 2300 restaurants nationwide through a vast network of 19 Distribution Centers that are supported by 5 distribution partners. Due to the increase in sales volume over the past decade, many restaurants are currently operating with a higher customer volume than intended.

Each quarter, the client's supply chain innovation team evaluates a list of concepts to move forward with investigating. A handful of these concepts are assessed and those that would deliver value to the business result in business cases that may eventually be piloted. Bricz worked with the fast food chain to select the concept that would deliver the most value to the business and proceeded with the assessment.

Based on the assessment, Bricz investigated the possibility of implementing Vendor Managed Inventory (VMI) to support the high influx of customers and improve the order process. This would take the ordering responsibility away from store associates, allowing them to focus solely on serving customers.

Objective

Analyze the ordering and inventory management processes and investigate the possibility of Vendor Managed Inventory (VMI)

Bricz Approach

- Concept Phase
- Current State Assessment
- Field Research
- Data Analysis
- Process Analysis

Results

- "Crawl, Walk, Run" approach for VMI Pilot
- Decreased Ordering Variance
- Labor Efficiencies
- Increased Route Planning Efficiencies

Bricz Approach

Concept Phase & Current State Assessment

The client goes through ideation sessions each quarter to identify areas for improvement across their supply chain network. Bricz worked with the client to identify the concept with the largest business impact that best fit the Bricz expertise and skill set.

After reviewing all the concepts, Bricz was engaged to investigate the possibility of implementing Vendor Managed Inventory (VMI) in the client's supply chain network. The Bricz team began by obtaining information about the systems and processes in the client's distribution network to document the current state.

Field Research

Initially, Bricz performed field research on Vendor Managed Inventory to present the benefits, risks, and keys to success in various industries that could be applicable to the client's supply chain. Case studies were examined to find the key components of a successful VMI process as well as some common downfalls.

Bricz also leveraged their current network of customers and clients to gain insight into the specific industry vertical in regards to VMI. While this process was more matured and involved data that the client didn't currently possess, it was a good benchmark for where a future VMI process should be.

Data Analysis

The Bricz team then determined the data points that were needed for analysis. The data provided by the client included case volume by distribution center, store location, and product (SKU). Bricz also analyzed POS and Invoice data (Sales vs. Ordering) at two locations that were visited for process observation.

Through analysis, the team discovered that the store replenishment process had a significant amount of variance. Ordering did not always align with the sales/demand that the location was facing. Implementing a VMI process could greatly reduce this variance. Bricz also found that only a few SKUs made up a significant portion of the total volume. This helped to determine the SKUs that would be best fit for a VMI process.

Process Analysis

As part of the engagement, Bricz performed multiple onsite store assessments in which the ordering and inventory management processes were observed. The sites were selected based on their size and volume, as they were a good representation of a "standard" site.

Both the ordering and inventory management processes were found to be manually executed, leaving room for variance and human error. Multiple opportunities for improvement were found during the observation period and contributed to the variance found in ordering vs. sales.

The process analysis supported the data analysis findings and further built the case for a VMI process.

Final Recommendations

Based on the current state assessment, field research, and data & process analysis, Bricz recommended the client proceed with piloting a VMI process. The benefits of a successful VMI process would help improve some of the inefficiencies found in the ordering and inventory management processes. Bricz presented multiple options of varying complexity to the client and recommended a "Crawl, Walk, Run" approach to the VMI pilot.

Ultimately, Bricz collaborated with the customer to build a business case to test a VMI process in their supply chain network. If implemented correctly, Vendor Managed Inventory could create labor efficiencies, reduce ordering variance, and improve route planning for distribution.

