

# Better information exchange

## improves supply chain efficiency

Better information exchange is the key to improving collaboration between supply chain partners. With built in intelligence for recommending order quantity based on inventory level and demand, a collaboration tool can improve efficiency for all parties.

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Vidality, the 'supply chain connector', is focused on making the link between customer and supplier more efficient, primarily in terms of inventory within the retail sector. "It's important that collaboration partners work with the same information and that the right people are notified of events that are important to them," says Tomas Brisen from Vidality.

Vidality, headquartered in Copenhagen, Denmark, was founded by a group of IBM engineers. They deliver supply chain collaboration solutions to both suppliers and customers, including VMI with built-in supply chain intelligence.

Approximately 1200 users in more than 30 countries use Vidality. "We offer an integrated and automated tool for businesses with many different collaboration partners using different business systems. They need a flexible solution to connect all of these different systems. Our solution can be adapted to the specific needs of each customer," Tomas Brisen explains. "If 70% of all orders are correct then those tasks need not use manual resources. It's better to focus manual resources on the 30% of tasks that are exceptions."

### Calculate demand

It is no longer important which business systems are used by companies within the supply chain. The critical issue is that everyone has the same picture of inventory. VMI solutions, where suppliers are responsible for replenishing customer's inventory, are widely accepted today. Keeping inventory level between specific minimum and maximum levels is important because surplus inventory is expensive.

"One of the modules in our system calculates optimal inventory levels for retail by combining campaigns, basic sales and seasonal variations. Different products have different peaks, which must also be integrated with basic sales. This information is combined and used when recommending optimal order quantity and inventory level. We actually still see companies - even large ones - coordinating this data using Excel spreadsheets. But this is becoming more unusual."

### The Findus example

Typically, a purchasing employee must manually write an order in the correct format and then physically send the information to the supplier. This process is time consuming and error prone. Most companies are very willing to upgrade the procedure and automate the process. "Lean is part of the innovative thinking that has influenced this development," says Tomas Brisen.

Findus, a leader in the international frozen food business with headquarters in Malmö, Sweden, has been in full operation with their Vidality solution for the past year. They've also connected their suppliers to the system.

“We’ve made a significant impact on the efficiency of purchasing and logistics by moving from manual procedures to automated supply chain collaboration,” says Carl Dorninger, logistics manager and responsible for logistics projects in Findus. “It’s a fully automated solution to facilitate all processes. At the moment we are only using it on the purchasing side. The next step is to expand the solution to cover our customer activities and make the delivery process more efficient”. Findus purchases raw material and ingredients for its own production as well as purchasing pre-packaged products from external suppliers.

### **Updated every day**

Findus’ purchasing department must provide all production units with high quality ingredients at the right cost. Each year, goods and services are purchased for more than 2 billion SEK. When goods are not produced at their own factories, Findus must place production at an external supplier. Aside from financial objectives, these relationships must be handled in a sustainable and responsible way.

What concrete changes does supply chain collaboration entail? “Suppliers have more responsibility. There is more transparency. Both parties have access to the same inventory data and orders can be placed automatically based on forecast data. Daily, our suppliers view and update orders, and the system will even notify them when they need to be aware of changes in the forecast and if inventory is falling below the minimum level,” continues Carl Dorninger.

Previously the purchasing department made a forecast for the annual demand. This information was used to create a contract based on volume. “The forecast covered 18 months, 12 weeks at a time. The inventory level was manually adjusted on a weekly basis. Now the system automatically updates the forecast data daily. The biggest improvement we experience is with the purchase of our raw material. The system shows the suppliers our demand.”

Vidality’s web portal can even pick up on season variations, confirm purchase orders, place sales orders, confirm a price indication that might be index regulated – all automatically.

Findus has approximately 250 frozen food products: convenience food and fish, peas and wok mixes and 50 processed food products such as mayonnaise, soups, pasta sauces and marmalades. These frozen food products account for most of their sales. Approximately 400 products are sold to restaurants and catering centers such as schools and hospitals.

“When a contract is signed – for example, for a vegetable mix of broccoli and carrots in a 60/40 proportion – Findus must know how many tons carrots and broccoli respectively the annual sales forecast must reflect. This information is updated and automatically shows the current inventory levels so the supplier can see daily sales compared with forecast and possible deviations. We use three different types of supplier concepts: a classic purchase concept, a VMI concept with the supplier responsible for replenishing stock and finally a consignment concept, which is a continuation of the VMI concept.”

The third concept, consignment, is the biggest venture for the supplier since he is responsible for a greater part of the supply chain and has capital tied up in it. “The new system represents a great advantage for Findus. The automation makes our business less time consuming, freeing our employees to perform more valuable tasks, and it reduces unnecessary inventory expenses” concludes Carl Dorninger.