

# The Anvil Experience

Volume 4 Issue 2



## Inventory Management Goes Electronic: The Time, Labor, and Cost Advantages of a VMI Partnership

The advent of computers and automated data systems has transformed our industry at an incredible speed, particularly in the way we restock supplies and manage inventory.

As a result, a number of wholesalers have adopted some type of electronic commerce solution to help manage their stock levels — and many of them have already begun to take the next step by upgrading to a VMI system such as Anvil International's AnviLink™ program. Using VMI to communicate data and process order-related documents eliminates many time-consuming manual tasks from the process and gives companies a natural advantage in the marketplace when moving products from their shelves to their customers' projects in the field.

### What are VMI and EDI?

Vendor Managed Inventory (VMI) is an electronic technology-based solution between a wholesaler and a vendor that utilizes an automated system to cross-analyze data from both parties in order to determine a customer's optimum level of inventory and to make certain that those levels are maintained. Electronic Data Interchange (EDI) is the technology that provides the vehicle for communicating inventory activity, as well as eventually transferring the purchase orders and acknowledgements, advanced ship notices and receiving documents



(if desired), and invoices — virtually eliminating the chance of errors in the order entry process. VMI users benefit from fewer transactions, significantly reduced costs for those transactions, more complete orders, faster shipments, increased service levels, and greatly improved operating efficiency.

Yet despite these benefits, a number of misconceptions have sprung up about VMI. The most common are that VMI costs too much, that it invades a company's privacy, that it locks them into a specific vendor and fills their shelves with too much product. More often, potential users fear that VMI would lead to the vendor completely running the show, resulting in a loss of autonomy for the customer. In reality, overall inventory levels and the related investment are both actually reduced.

Erroneous beliefs such as these have not only hindered the spread of VMI partnerships, but they have also kept away wholesalers who may be in a position to move forward with VMI — wholesalers who stand to benefit the most from such a partnership. Anvil, for example, has already made the investment in its VMI software engine, creating minimal costs for the wholesaler. And, as was the case for All-Tex Pipe & Supply, VMI ultimately results in increased overall efficiency.

### All-Tex Pipe & Supply

Founded in 1973, the Dallas-based All-Tex Pipe & Supply has since expanded into three additional locations (Fort Worth, San Antonio, and Austin). The company serves an active customer base of 1,100 and has received a variety of marketing and performance awards, all while continuing its tradition of being "Your PVF Specialist." Under the ownership and management of Jill and Dale Hurd, All-Tex provides copper, PVC, cast iron, carbon steel, and stainless steel products to the commercial and industrial mechanical industry throughout Texas, including Anvil product lines such as hangers, strut, malleable iron and cast iron fittings, steel and forged steel fittings, steel pipe couplings, and seamless pipe nipples.

The company has also been involved in some of the area's premier construction projects, including the Anatole Hotel, Apparel Mart, Texas World Trade Center, Galleria, Rangers Ballpark in Arlington, American Airlines Center, DFW Airport, and numerous corporate headquarters.

All-Tex attributes their success to a progressive business philosophy of improving skills, knowledge, and service to ensure customer satisfaction. However, the centerpiece of All-Tex's customer service is "the Promise" — delivering orders within a specific time period after the order has been entered, with high fill rates and accuracy. All-Tex exceeds the industry standard by providing service 24 hours a day, seven days a week. Each location has a fleet of delivery trucks and drivers to ensure that product gets to customers efficiently. These accurate and on-time deliveries allow their customers' projects to flow within time and material budgets. All-Tex's quick response and flexible delivery schedules easily accommodate last-minute changes to project requirements. Consequently, All-Tex makes decisions within the context of maintaining this high service level.

In order to economically provide this high level of service to its customers, All-Tex continuously looks for ways to

Above: All-Tex Pipe & Supply; Front row (l to r): Dale Hurd, Executive Vice President & CFO; Jill Hurd, President & CEO; Judy Showalter, Human Resources; Bob Arison, Chief Operating Officer; Mike Coltharp, Senior VP Sales. Back row (l to r): Brian Harrigan, VP Purchasing; Larry Caffey, VP Operations; Bob Makarski, Controller.

**ALL-TEX PIPE & SUPPLY**  
Since 1973

All-Tex is committed to being the premier pipe, valve and fitting distributor for mechanical, industrial, HVAC, and plumbing contractors.

How it works:  
**VENDOR MANAGED  
INVENTORY (VMI)**

If necessary,  
an order is created  
and shipped to  
**RESTOCK**  
wholesaler inventory

How it Works:  
**VENDOR MANAGED  
INVENTORY (VMI)**

Daily activity  
and parameters\* are  
analyzed to build  
normal inventory and  
**RESTOCK**  
as defined by  
the wholesaler

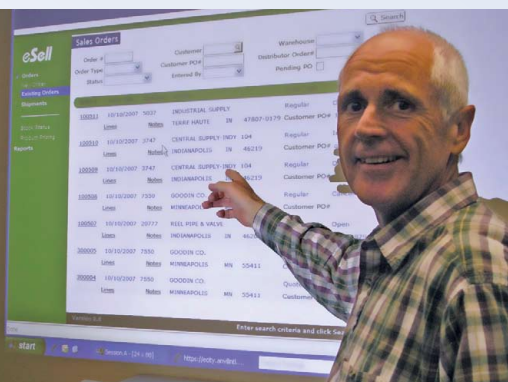
Anvil's VMI  
software engine will  
**ANALYZE**  
daily activity data  
against parameters\*

**Stage 2:  
AUTOMATE**

The VMI cycle  
is automated

Wholesaler will  
**SELL**  
products, which  
depletes inventory

Daily sales activity  
data is sent via EDI  
transaction to  
**UPDATE**  
VMI software engine



*“VMI – together with our other electronic commerce solutions – provide the opportunity to utilize technology in every area of the supply chain,” says Anvil’s Kevin McBride. “VMI fits well with our product offering.”*

level for each item, which All-Tex could adjust at any time.

For ordinary stock orders, the process is quite simple. “At the end of each day, All-Tex sends an EDI transaction to the VMI engine containing product activity data for all items that have experienced a change,” said Kevin McBride, Anvil’s Manager of Electronic Commerce Development. “This data contains the item-by-item activity occurring that day, including the item number and quantity, as well as the type of change in the inventory.”

The VMI engine runs this data in relation to All-Tex’s pre-established parameters and generates a suggested order amount for inventories that need to be replenished. This suggested order continues to build on a daily basis until the predetermined conditions for shipment are met, whether it’s a certain order weight or a certain day of the week.

The wholesaler has the ability to review this suggested order and adjust if necessary.

Adjustments are rare, as the suggested order has been designed to match All-Tex’s unique needs and specifications. The order then ships upon approval by the wholesaler.

“This process renders ordinary stock orders as ‘hands-off’ as possible,” continues McBride. “In the event of an unusual sale causing inventory levels to fall below All-Tex’s specified minimum, the Anvil VMI system reacts differently. If All-Tex were to unexpectedly sell out its inventory of an item, for example, Anvil immediately sends an overnight shipment of that item in order to bring it back up to its minimum stock level.”

Most importantly, the Anvil VMI system is a progressive database. As the system accumulates more and more historical data over time, it develops an even more precise and comprehensive view of the customer’s optimum inventory. In short, the longer one implements the system, the more accurate and complete each order becomes.

According to Harrigan: “We see Anvil’s VMI system as a progressive step forward that allows us to do more with less. What has always set All-Tex apart is that we provide the ultimate experience to the customer. Because we no longer have to do many of the tasks that were once necessary to achieve that high service level, our inventory management process is now more efficient.”

### Keeping “the Promise” for Less

Once the VMI system was in place, All-Tex saw an immediate improvement in every aspect of their inventory process. Transaction costs were significantly reduced. They were protected from shortages (Anvil, for its part, receives

less returned merchandise). All-Tex orders were more complete and required less unnecessary labor to fulfill. Most importantly, Anvil VMI freed up more time for All-Tex to work with customers on new programs and projects — ensuring that All-Tex could maintain “the Promise” for which they have become well-known in the region for over three decades.

Harrigan plans to implement Anvil’s VMI system at All-Tex’s Austin and San Antonio facilities as soon as those locations have amassed a sufficient amount of historical data to make it effective.

### The Future of VMI

Many large businesses either have their own unique inventory replenishment processes or use industry-distributed software packages. Many more do not. With Anvil International shouldering much of the costs of a VMI partnership, the AnviLink™ solution creates an opportunity for wholesalers to maximize their inventory investment, achieve dependable automated stock levels, and serve their customers more efficiently.



*Jon Smith, Inside Sales Representative with Anvil, works closely with Brian Harrigan on the VMI program.*

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