



## BUILDING INVINCIBLE SUPPLY CHAINS

How vendor managed inventory programs improved working capital and strengthened supplier relationships for an Aerospace manufacturer

### Abstract

Infosys BPM implemented a vendor managed inventory program for a major Aerospace manufacturer, identifying best candidates and improving signups.

Infosys BPM's client, a major Aerospace manufacturer has revenues of over \$41.8 billion and a global operation base.



## A new approach to inventory management

Working capital improvement was a key strategic initiative for the client aimed at improving efficiency and performance. Towards this end, they wanted to implement a robust vendor managed inventory (VMI) program. The program was designed to simplify replenishment, making it easier to procure quality parts

on time. It would synchronize the client's and its supplier's supply chains, resulting in improved operational efficiencies, inventory optimization, delivery, and reduction in transactional waste.

The client needed a partner who could help convince the suppliers to join the program, ensure the correct part numbers

were added to the program, and oversee the overall success of the project.

Having demonstrated capability in driving overall productivity improvements in an existing tail spend management engagement with the client, Infosys BPM was chosen to implement this program.



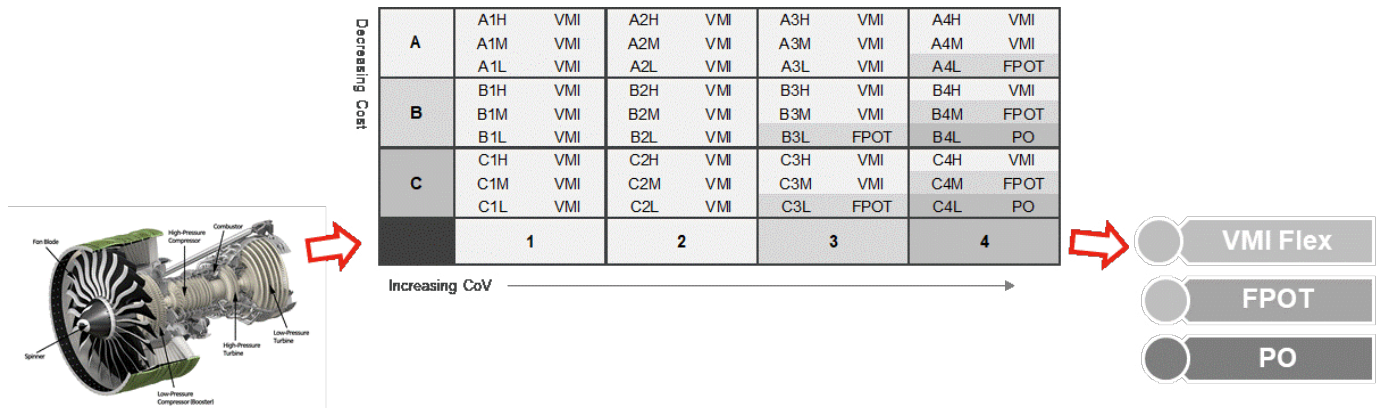
## A systematic approach to success

The Infosys BPM team first created a model to determine the best candidates for the VMI program. This was done using a 'plan for every part' (PFEP) framework that analyzed every part for the right fit using volume, cost, and demand variation as

key metrics. The PFEP analysis provided a systematic, detailed, and layered view of the best supply replenishment strategy for each part.

The key data points used in the parts

analysis included their volume, cost, and demand variation. These were used in a coding tool to sort and group the numerous parts for eligibility in the VMI program.



Based on the parts that were eligible, the team identified suppliers and created a supplier negotiation pipeline. Finally, VMI amendments were negotiated and added to existing contracts and the suppliers inducted into Ariba – the sourcing platform.

## Sharing the benefits of a well-managed inventory

During the launch of the program, VMI saw initial interest and signups for a spend value of over \$1008.6 Mn relating to over 11,205 parts and an inventory save opportunity of \$74 Mn.

As the program progressed beyond the planning stage into actual implementation, thus far over \$1342 Mn of inventory is vendor owned with client's savings already totaling up to over \$96.5 Mn in total inventory and working capital improvements. With the implementation of VMI the client has improved sales, reduced administrative costs, and built strong

supplier relationships for a dependable supply base. In addition, the client's suppliers have also benefitted by having more control over the inventory. This has resulted in reduced costs, improved On Time to Request (OTTR) from low 70% to 95% and also streamlined the order process. Also, the part/airplane platform information provided visibility to the client 13 weeks prior to the production build plan.

Over the long-term, the team reviewed 200,000 parts from 2,500 active suppliers and identified the right supplier

replenishment strategy, and each part was coded based on volume, cost, and demand. On top of this, 250 suppliers also signed up on VMI, along with numerous re-signings with the existing VMI Suppliers. The team conducted quarterly VMI review every 90 days to review the program and part performance. These steps provided with a further savings opportunity of over \$29 Mn. This just goes to show how with the right partner a well-executed vendor managed inventory program will always help both a client and its critical supplier base to jointly share its success.



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