

Vendor managed inventories article review example

[Business](#), [Management](#)



Management

In the article ' Vendor Managed Inventories' or VMI, the author tells that VMI is a distributional medium, in which the inventory at the distributor or retailer is managed and supervised by the manufacturer or vendor. However, it includes various tactics such as determining the quantities of order, controlling the products, and organizing the levels of stocks appropriately. Preliminary problems in the VMI are usually due to systems or data limitations. VMI can be beneficial for both manufacturers and distributors in number of ways. For example it is advantageous for manufacturers because of lower investment of inventory in supply chain as it enables enhanced forecasting, just in time delivery, and provides better market information to the manufactures.

The distributors are benefitted due to appropriate assortment of products, low transfer cost due to fewer inventories in the medium and greater turnover rate of inventory. The entire supply chain is viewed by a strategic approach which includes focusing efforts, building trust and partnership between the stakeholders of supply chain, effective computers and systems, capable vendors/manufacturers, enthusiastic and composed partners and forecasting ability.

VMI is contrary to the inventory management approach controls the supply chain as far as possible in order to minimize the inventory and supporting the production. VMI should only be executed in those situations where the manufacturer can predict the demand more precisely than the distributor.

The technology behind the success of VMI is electronic data interchange or EDI that which provides the vendor with the same point of sales or POS and

information relating to inventory is retained by the distributor.

The future outlook of VMI is positive; International Mass Retail Association (IMRA) has revealed after research that VMI programs will grow significantly in the future. VMI process is similar to the continuous replenishment; the notable difference between them is that in VMI the manufacturer is responsible for what to deliver or ship and when to deliver/ship. Moreover, there are also predictions that VMI is taking place of Consignment Selling (CS) as it is eliminating need of any intermediary channel and is promoting direct selling. But, presumably, VMI will not be able to dominate all the thoughts and practices regarding logistics.