



# Vendor Performance Management Case Study: Reducing Inventory Investment through the Purchase Order Lifecycle

## The Company

The following is an actual case study based on an apparel and hard goods retailer. This retailer operates nearly 500 stores in almost 50 states and Puerto Rico as well as an e-commerce site. The retailer chose not to disclose their name due to corporate policy but wanted to share the results of their project.

## Reducing Inventory Investment through the Purchase Order Lifecycle

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### KEY TAKEAWAY

Monitoring and analyzing purchase order lifecycle performance enables improvement in vendor shipping performance.

#### Supply Chain

The retailer operates a sophisticated chain with 4 distribution centers located from coast-to-coast. The retailer utilizes a ship-to-mark-for or cross-dock strategy for its apparel and merchandise. This approach ensures the delicate balance of maximizing in-store availability, while minimizing the inventory investment necessary to service the stores. The ability to flow merchandise from the vendor's docks through the retailer supply chain in a timely manner is critical to their success.

#### The Opportunity

As with many retailers, vendor performance issues affected the velocity of their inventory movement. In addition to the normal quality issues retailers' face, such as early/late shipments, carton labeling and ASN accuracy, the retailer faced the additional challenge of long ship windows. The retailer's VP of Supply Chain stated that "long ship windows add additional layers of complexity to our business and this coupled with non-defined fixed pickup and delivery schedules was driving up our inventory value. The additional investment in inventory and its associated handling costs were affecting our overall profitability."

#### Compliance Networks' Solution

The retailer had successfully deployed Compliance Networks rCMS Revolution for its vendor performance optimization needs for several years. While the solution was used to improve vendor performance, it had not been used to quantify the overall length of the supply chain and where the opportunities lay to reduce that length. The VP of Supply Chain stated, "We saw an opportunity to compress the ship windows. These ship

windows were created years ago, particularly the vendor lead times and were never challenged.” Armed with information from the Purchase Order LifeCycle module from rCMS, the retailer analyzed their vendors’ shipping patterns and concluded the lead times were unnecessarily long. The retailer brought together their inventory planning and merchant teams to see where opportunities could be found with their replenishment merchandise.

### **The Results**

Deploying the Purchase Order LifeCycle in rCMS, the retailer achieved greater supply chain efficiency. “The results were stunning,” commented the VP of Supply Chain. “We took a full eight days out of our supply chain with no effect on our overall service levels. Eight days in our supply chain is not only a multi-million dollar savings initially, but the reduced holding costs are a benefit we will see for many years to come and it freed open-to-buy money for our merchant team.” The retailer’s full utilization of the features of rCMS Revolution to not only monitor their vendors overall supply chain performance, but to identify additional inventory reduction opportunities resulted in a more consistent, predictable and ultimately profitable supply chain.