


“Competitive advantages accrue from intelligent and practical solutions. Kunert AG’s vendor-managed inventory solution is setting the standard.”

Christian Preis, Retail Controlling, Kunert AG



Kunert, based in Immenstadt, was established in 1907 and is one of Europe’s leading hosiery manufacturers. The Kunert Group stands for three high-quality textile brands: the luxury brand Kunert; the British lifestyle brand Burlington, and the family brand Hudson. Employing over 1,100 staff, Kunert has production facilities in Morocco and China in addition to the corporate headquarters in Immenstadt.

Challenges faced

With sellers’ markets fast becoming a thing of the past, Kunert AG faces a new market, in which buyers hold the power. Small specialist retailers are disappearing and making way for large retail chains with enormous market influence. These large chains are asking their suppliers to take increasing responsibility for managing the sales areas allocated to them. As a result, suppliers are being forced to build their business relationships as if they were the retailers.

Suppliers who do not have the capacity to operate vendor-controlled inventory management are finding themselves in a position in which they are unable to grasp all the opportunities or address all the risks of this new relationship. Vendor-controlled inventory management can take the form of either vendor-managed inventory (VMI) or vendor owned inventory (VOI). In the case of VOI, the supplier retains ownership of the goods and bears the entire risk for the inventory. This places too heavy a burden on many suppliers, calling for professional management of sales and inventory data in distributed sales areas and storage locations.

A successful solution to the challenge must ensure that a supplier has a precise view of sales and inventory data at both point-of-sale (POS) and European article number (EAN) level at all times to ensure that supply of goods is

Sector:

- Industry (Textiles and clothing)

Country:

- Germany, Morocco ,China

Information requirement:

- To develop and operate a vendor-managed inventory solution to manage sales areas actively and implement the system leadership concept.

Platform:

- IBM Infor AS Collection (AS400/DB2)

Solution:

- Cognos 8 BI

Benefits:

- Optimal use of space in sales area planning
- Optimal supply of goods for sales areas
- An up-to-date and transparent view of sales, turnover, profit, and inventory
- Improved drafting of contracts and project management

based on demand. However, with the appropriate solution, the following opportunities are opened up:

- Obtaining a transparent view of sales areas
- Optimising sales area productivity
- Increasing sales and boosting margins by stocking top sellers
- Improving liquidity by ensuring optimal stock levels
- Avoiding write-offs and out-of-stock situations

Strategy followed

The company opted for a system-based approach using the interaction between the ERP system and Cognos 8 BI to create a demand-oriented inventory and sales area management system that protects liquidity and minimizes costs.

Kunert AG has worked with IQube Informationsmanagement GmbH in Dornbirn, Austria, for many years. After the group-wide implementation of the Infor AS ERP system by IQube, the next step was to tackle the issue of corporate performance management. IQube and Kunert's many years of cooperation created the ideal foundations, based on trust and consultancy competence, to maximize efficiency and effectiveness for customers.

Working with IQube, Kunert developed the requirements for the system. The first requirement of the process is to plan the assortment of goods on the basis of the individual capacity of each POS. Sales and inventory data must then trigger system-based replenishment and inventory change processes.

The system needs to record any deviations from the target parameters through reporting and alerting functions, and issues recommendations to the persons responsible for the sales areas, triggering orders and proposed amendments to target inventories. This almost completely automated management of sales areas ensures highly effective and efficient logistical supply and inventory management processes. Demand forecasts need to take account of seasonal variations, avoid out-of-stock situations, and encourage proactive management of top sellers and slow movers.

The solution they developed consists of four modules:

Sales area planning

- Standardized recording of sales areas and individual capacity planning
- Initial stocking of a POS based on top sellers, taking into account the defined capacity of areas for each category and visual merchandising aspects

Sales area management (VMI/VOI)

- POS-specific generation of order proposals based on EANs with demand forecasts
- POS-specific and dynamic modification of target inventories based on EANs
- POS-specific target of final storage destination
- Control through standard industry indicators, such as inventory turnover and sales quota

Business intelligence with Cognos 8 BI

- Sales and inventory data, indicators, and dashboards
- Proactive reporting and alerting, and automated report distribution (bursting)

Drafting of contracts and project management

- Checklists to create contracts relevant to business processes
- Structured checklists for project management

Benefits realized

Kunert AG has achieved the following benefits through its new VMI solution:

In sales area planning:

- Optimal use of sales areas
- Calculation of target inventory to protect liquidity
- Top seller guarantee
- Optimization of profits and protection of liquidity
- Consideration of visual merchandising aspects

In sales area management (VMI/VOI):

- Optimal supplies of goods
- Protection of liquidity by reducing target inventory
- Improving inventory turnover and sales quotas
- Avoidance of out-of-stock situations or excess stock
- Elimination or reduction of write-offs and returns
- Reduction of personnel costs in relation to administration of sales areas

In business intelligence with Cognos 8 BI:

- Up-to-date and transparent view of sales, turnover, profits, and inventory
- Availability of inventory turnover rate, sales quotas, gross profit, and GMROI, with all levels of detail—product, customer, time
- Quick view of information for top management
- Incentive-compatible performance measurement to control the behaviour of sales area administration
- Proactive monitoring of critical indicators by the system and issuing of alerts
- Automatic distribution of reports, and access from any location

In drafting of contracts and project management:

- Checklists to create contracts that are relevant to business processes
- Structured checklists for project management