

DANNON TAKES A FRESH APPROACH TO VMI WITH TRUECOMMERCE

The Dannon Company, Inc. (Dannon) produces and sells six million cups of yogurt a day in almost 100 flavours, styles and sizes. The top-selling brand of yogurt worldwide, Dannon® is sold under the names Dannon and Danone. Dannon Company prides itself on consistently delivering high-quality, wholesome products, and responding to consumer needs with nutritious, innovative new products and flavours.

VMI Identified as Key Enabler

As part of Dannon's "Customer First" program focused on continually strengthening customer relationships, the company has established a vision of being their customer's 'yogurt supply chain expert'. The goals of the program are to:

1. Improve visibility up and down the supply chain
2. Influence the flow of product to the shelf
3. Improve shelf visibility for the shopper
4. Reduce waste throughout the supply chain

This strategic program has many dimensions, but in 2010, Vendor Managed Inventory (VMI) was identified as one key enabler, and one of the quickest and most scalable programs Dannon could utilise to help meet their goals. Effective VMI would enable Dannon to use customer data to manage warehouse replenishment, which in turn enables Dannon to better influence store and shelf replenishment.

"We can add significant value for our customers with increased supply chain collaboration," said Paula Sawyer, Dannon's VMI Program Manager at that time. "With the tremendous growth in yogurt consumption, demand is volatile. And with a shelf life of less than 50 days, the spoilage rate can be high for retailers if supply is not well-managed. By helping our partners closely manage the flow of our products, we can become a preferred partner and gain strong influence in the overall yogurt category."

Existing VMI Program Was Narrowly Focused

Like most consumer product companies, Dannon already had a VMI program in place – in fact it had been operating for over 10 years. The program was delivering good results in terms of supply chain metrics, including nearly 60 turns and 97% warehouse service levels. But Dannon recognised that the program as it currently stood was narrowly focused and was considered to be a supply chain process only. In addition, it was only implemented with a limited number of high-volume retail partners.

Taking a Broader View

In order to fully leverage VMI, the Dannon team knew they needed to re-think the program in the broader "Customer First" context and look at the benefits VMI could deliver beyond just transaction processing and supply chain metrics. Those objectives remained important, but they needed to look at it as a more strategic program, and as an important tool for achieving full 'success at the self level' as defined by:

- **Increased sales** through faster new product introduction and quicker response to promotions
- **Decreased costs** through reduced spoilage, lower inventory and fewer order errors
- **Increased shopper satisfaction** through greater on-shelf availability and consistent product freshness

Achieving those objectives would greatly benefit both Dannon and their customers, and have far-reaching results in terms of long-term growth. With that potential in mind, Dannon knew they wanted to not only take the program to the next level with existing VMI partners, but to also expand the program to a wider range of partners.

When the Dannon team reviewed their current VMI platform in the broader perspective, they found that it was a clear constraint. It required extensive manual input to generate proper replenishment orders, meaning significant additional VMI analyst resources would be needed to support additional VMI partners and volume. The current system had limited tools for managing new products and promotions, and was costly to maintain, difficult to update, and lacked the desired reporting flexibility.

"We needed a VMI platform that was highly scalable, more adaptable to market changes, and much more cost-effective to operate," said Sawyer. "That pointed us in the direction of a solution using the Software-as-a-Service (SaaS) approach. But… it was critical that the solution we selected would enable us to maintain our high level of performance – even as we expanded the program. In addition, the change had to be transparent to our existing VMI partners when we made it."

TrueCommerce Selected as Next Generation VMI Platform

After a detailed evaluation, Dannon selected TrueCommerce as their new generation VMI platform. Sawyer explains: "We selected Datalliance VMI for several important reasons – first and foremost because it automates the majority of the planning effort. Since analysts need only review and confirm replenishment orders calculated by TrueCommerce, we can handle much more VMI volume per analyst. That is the key to us being able to expand our program. The cost of the TrueCommerce service is actually absorbed by avoidance of the need to add numerous new analysts. Beyond that, all of the system maintenance, on-going enhancements, training, and support are included as part of the service, allowing us to eliminate all such expenses associated with our legacy system.

Delivering Results

In less than a year, Dannon realised the kind of results the team was looking for. All existing VMI partners were transitioned to the TrueCommerce platform within a few months. VMI analyst productivity has been dramatically increased as a result. That has enabled Dannon to begin expanding their VMI program as planned. The number of VMI partners has already been increased to over 20+ locations with more in process.

Just as importantly, excellent inventory management performance has been maintained at an average of approximately 60 turns and 97% service levels for locations under VMI control for 6 months or more.

"By transitioning to the TrueCommerce system, it has enabled me to engage my customers in a more strategic method versus trying to maintain a system," says Rebecca Petza, Dannon's Customer Solutions Specialist.

TRUECOMMERCE VMI DELIVERS

- VMI Analyst productivity significantly increased
- VMI partners expand to 20 with more in process
- Superior performance maintained at approx. 60 turns and 97% inventory levels

In addition to providing the higher productivity needed in order to expand the scope of the VMI program, TrueCommerce VMI now provides Dannon with valuable insights into the impact VMI would have with potential new VMI partners, enabling management to make well-informed decisions about where to expand the program.

"Using TrueCommerce, we have significantly increased our VMI program productivity. That change is enabling us to expand our program to more partners and more locations so we can realise the strategic benefits of VMI across a broader range of our business," summarises Jonathan Peltzer, Dannon Sr Customer Solutions Manager who runs Dannon's VMI program today.

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> **Paula Sawyer**
> Program Manager, Dannon

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