TrueCommerce Datalliance™

Do business in every direction

Streamlined Product Migration Management

TrueCommerce is the most complete way to connect your business across the supply chain – so you can do business in every direction.

More Connected.
More Supported.
More Prepared for What's Next.

EXECUTIVE SUMMARY

PROBLEM:

When new products are introduced to replace existing products, two problems can result:

➤ Lost sales because of availability problems, or

➤ Reduced profitability because of excessive returns

SOLUTION:

VMI establishes the collaborative relationship and information-sharing processes to dramatically improve the handling of product migrations.

TrueCommerce extends the core VMI process with tools designed specifically to support new product introduction and migration.

RESULT:

TrueCommerce makes it much easier to ensure a smooth introduction of new products that:

➤ Maximizes availability and sales

➤ Minimizes returns

INTRODUCTION

One of the most challenging activities suppliers and distributors need to manage together is the 'migration' from an existing product to a replacement product. It takes a lot of coordination to perform the migration smoothly without either losing sales due to stock-outs or adding cost due to obsolete product left in inventory.

TrueCommerce Datalliance VMI provides a number of important tools to help suppliers and their distribution partners effectively manage the product migration process. By using these tools, both partners can better communicate with each other during the transition so that the distributor has the new product at the right time to meet customer demand while minimizing the need for returns or write-offs of the obsolete product.

Note: In addition to 'product migration', this process is often referred to as 'product lifecycle management', 'product supersession', and other terms. We will use those terms interchangeably in this paper.

WHY PRODUCTS CHANGE

On-going innovation drives the need for product migration. When new products – often using new technologies, materials or designs – are launched, they may be clearly superior or lower cost than those they replace, making the older products very difficult to sell once they are launched.

Some industrial products may also become obsolete and unsellable after a certain point in time because of regulatory changes or other external forces. For instance, plumbing products were required to be 'lead free' as of January 4, 2014 and both commercial and residential lighting standards were significantly changed with the Energy Independence and Security Act of 2007 (EISA 2007) obsoleting many types of bulbs and even fixtures between 2012 and 2014.

RESULTS OF POOR PRODUCT MIGRATION HANDLING

A number of negative things can happen when product migrations are not handled well. A lot of hard work and expenditure on new product promotion can be wasted when customers find only the old product at the distributor because the new product was not shipped. Or worse yet, they find no product at all.

On the other hand, if the old product is not sold down in preparation for introduction of the new product, there can be excessive old product left on the shelves. Eventually, that inventory will need to be either written off by the distributor or returned to the supplier who in turn may need to write it off.

WHAT MAKES PRODUCT MIGRATIONS A CHALLENGE

What causes poor handling of product migrations? Essentially one thing – poor communication between the supplier and distributor. The distributor has no way of knowing that a supplier is planning a product replacement until the supplier tells them. If that communication is missed and the distributor is doing their own replenishment ordering, they are likely to keep ordering the old product until the supplier simply stops shipping it.

Without shared visibility of the distributor's inventory and the supplier's new product launch plans, it's virtually impossible to achieve a smooth phase-in of the new product.

HOW A VMI RELATIONSHIP MAKES A BIG DIFFERENCE

Suppliers and distributors in a VMI relationship have a tremendous advantage when it comes to managing product migrations. First of all, VMI does a couple of fundamental things that really help:

➤ VMI puts primary responsibility for product replenishment in the hands of the supplier. The supplier has the knowledge about the nature and timing of the product changeover. They know exactly what product is being replaced and when the new product will be available to ship.

➤ VMI gives the supplier's VMI planner clear visibility of inventory and demand for the old product at each distributor.

This combination gives the supplier's VMI planner far more ability to adjust replenishment of the old product for a smooth sell-down while initiating shipment of the new product in time to be available in the right quantity as the old product runs out.

CHALLENGES THAT REMAIN

VMI helps greatly in the management of the product migration process. But, like many inventory management processes, the devil is in the details.

The VMI planner may have hundreds or even thousands of SKUs to manage. A dozen or more of those might be in transition at any given time. That's a lot to keep track of each day - especially if the supplier is managing a large number of distributor locations.

And in some cases, such as replacement parts for equipment or machinery, there may be a long series of part supersessions that spans many years. For parts that only sell infrequently, the current part at replenishment time may actually be multiple iterations from what was previously stocked by a given distributor.

HOW TRUECOMMERCE DATALLIANCE GOES BEYOND STANDARD VMI

TrueCommerce Datalliance VMI gives the supplier a combination of tools to help the VMI planner smoothly manage the product migration process. Those tools make it easy for the VMI Planner to know what products are in the process of migration; where the transition stands; what item to ship at any point in time; and what to communicate to the distributor during each phase of the migration. Specifically, those tools are:

➤ **An item status indicator** with values of 'active', 'inactive', 'obsolete', 'replaced', 'recalled', or 'do not stock'. Only 'active' items are automatically replenished.

➤ Two alternative ways to indicate the replacement situation

  ➤ For simple cases: the **replacement item** for an item being replaced.

  ➤ For more complex cases, a **master item** with a family of multiple actual items, showing the sequence of supersession and the currently shipping item.

➤ The **obsolescence date** for old item – this date impacts how long returns may be allowed based on policy – e.g. 'n' days after obsolete date.

➤ **A Product life cycle indicator** set by the supplier with user-defined values that tell the VMI planner more specifically what they should be communicating to the distributor about a particular item at various points in its life cycle. For instance: values could be something like 'New', 'Phasing In', 'New and Available', 'Mature', 'Phasing Out', 'Retired'. The values are usually taken from the supplier's business system so the meanings are already well recognized.

TrueCommerce Datalliance VMI does a number of things with this information to help the VMI Planner manage product migrations. These are:

➤ **Alert the VMI Planner any time an inactive item shows up with a suggested replenishment** so they can make a conscious decision of which item to send. The system can optionally be set to automatically remove inactive items from an order if desired.

➤ **Alert the VMI Planner based on the Product Lifecycle Indicator**. This alert tells the VMI Planner what conversation they should be having with the distributor. For instance, if the indicator is something like 'phasing out', the planner may want to give the distributor notice that the item will only be available to return for 'n' more weeks based on the obsolete date and policy.

TrueCommerce Datalliance VMI gives the supplier a combination of tools to help the VMI planner smoothly manage the product migration process. Those tools make it easy for the VMI Planner to know what products are in the process of migration; where the transition stands; what item to ship at any point in time; and what to communicate to the distributor during each phase of the migration.

Phase	TrueCommerce Datalliance VMI	Benefits
MANAGING PRODUCT MIGRATION WITH TRUECOMMERCE DATALLIANCE VMI AT A GLANCE		
Planning	Reporting to identify scope of migration	Supplier can effectively plan required effort and timeframe
Planning	Customer Care knowledge of both supplier and distributor system capabilities	Supplier can request assistance to plan the most efficient, effective migration process
Execution	Alerts when old product is suggested for replenishment	Prevent shipment of old product once phase-out begins
Execution	Alerts at key stages of each product's lifecycle	VMI planner knows what to communicate to distributor – e.g. migration beginning; new product now shipping; returns allowed until specific date, etc.
Execution	Automatic exclusion of old item on distributor's stock-in report	Prevent old item replenishment being inadvertently triggered
Execution	Copy or summation of history from old item(s) to new item	Properly plan replenishment quantities for new item
Execution	Combining of 'net quantity available' for old and new items	Smooth, cost-effective 'sell-down' of old item while beginning shipment of new item
Completion	Suggested returns report	Automate returns per policy if excess residual inventory occurs
Completion	Exclusion from suggested returns report	Automate prevention of returns after allowed period

➤ **Exclude an item from the Distributor Suggested Stocking Report** based on the value of the Product Life Cycle Indicator. This periodic report tells the distributor what items should have shelf space allocated to them. Once an item reaches an end-of-life status, it is automatically removed from this report to prevent additional inventory being pushed into the supply chain.

Once the supplier and distributor make the decision to begin replenishing only the new item, the supplier can work with TrueCommerce Datalliance Customer Care to implement this in one of two ways:

➤ **Immediately switch to the new item**. This is done by copying the demand history from the old item to the new item to drive replenishment.

➤ **Initiate 'sell-down' of the old item while beginning replenishment with the new item**. This is done by combining the 'Net Quantity Available' (NQA) of the two items. This way the new item is shipped when replenishment is needed, but the proper combined quantity of both items is maintained until the old item is sold down to zero. When using the master item capability, demand history and NQA are combined for all items in the family and applied to the currently shipping item.

Once the migration is complete, TrueCommerce Datalliance VMI helps manage any returns of the old product based on the agreed upon policy. Specifically, it will:

➤ **Allow or not allow the item to be returned** on the Suggested Returns Report based on the Product Lifecycle Indicator. As long as the value indicates that returns are still allowed, the item will be treated normally and will show suggested returns if distributor stock is in excess. When that value indicates that returns are no longer allowed but the distributor still has stock, the item will show on the report as having excess, but as 'rejected' based on policy.

IN STOCK IS WHAT'S IN STORE

TRUECOMMERCE DATALLIANCE VMI AUTOMATED RETURNS PROCESSING

Another innovative capability provided by TrueCommerce Datalliance VMI is automated returns processing. VMI greatly reduces the need for returns, but they can never be fully eliminated. With TrueCommerce Datalliance VMI you can at least make the process dramatically easier to manage.

Request the 'Returns Automation' solution brief to learn how it saves both suppliers and distributors a tremendous amount of time, effort and cost.

OTHER WAYS TRUECOMMERCE DATALLIANCE CAN HELP

The TrueCommerce Datalliance Customer Care team is very experienced at planning for and managing product migrations, and is happy to provide additional assistance to planners throughout the process.

For instance, they can produce reports that cover all distributor locations where a particular item is currently being stocked in order to give the planner a better idea of the scope of the migration before it begins. And based on knowledge of both the supplier's system and the distributor systems, Customer Care will often help the planner identify the best approach to managing the migration. Then, as stated earlier, they can help handle the 'copy history' and 'combined NQA' process described above.

As with all aspects of the VMI process, TrueCommerce Datalliance Customer Care is an integral part of the overall TrueCommerce Datalliance VMI solution.

RESULT: SMOOTH, PROFITABLE MIGRATIONS

Using these TrueCommerce Datalliance VMI system capabilities and Customer Care services to drive precise, timely communication, several important benefits are achieved:

➤ **The supplier and distributor work closely together** on the timing of the product migration to introduce the new product at exactly the right time, manage the residual inventory, and maintain high service levels throughout the process.

➤ **No migration steps 'fall through the cracks'** because TrueCommerce Datalliance VMI is continually monitoring the situation and alerting the VMI planner to any actions that should be taken.

➤ **The need for returns is minimized** because of the well-coordinated migration. Just as importantly, any items that are candidates for return are clearly communicated so both parties avoid surprises when the window for allowed returns is reached.

SUMMARY – ADDING CONSIDERABLE VALUE TO THE SUPPLY CHAIN

Product migrations are a fact of life in all markets. Without VMI, an efficient and profitable management of migrations can be extremely difficult. By providing simple, yet powerful tools to guide VMI Planners through the entire process, TrueCommerce Datalliance VMI makes product migration smooth, efficient, free of surprises, and profitable for both the supplier and distributor.

ABOUT TRUECOMMERCE

TrueCommerce is the most complete way to integrate your business across the supply chain, integrating everything from EDI to inventory management, to fulfillment, to digital storefronts and marketplaces, to your business system and to whatever comes next. That's why thousands of companies across various industries rely on us.

**TrueCommerce.
Do business in every direction.**

THE TRUECOMMERCE DATALLIANCE TEAM IS HERE TO HELP!

If you have any questions regarding TrueCommerce Datalliance and VMI, or how it applies to your business, our passionate, focused team is here for you.

Call us today at 513.791.7272

www.datalliance.com

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