



Integrated Global Procurement & Supply

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Welcome

Welcome to the December update and best wishes from SerCom for the holiday season. This month we focus on the emerging VMI inventory model. Virtual VMI (vendor managed inventory) is a model that allows a VMI/SMI solution, even for suppliers who cannot or will not support that program directly. Inserting an “aggregator” can solve this problem. We also note another recent inventory management hub installation in El Paso, TX, USA bringing total locations to 32 globally.

Virtual VMI

One of the main objectives of an effective supply chain is to provide the end-customer with exactly what they want, when they want it while keeping distribution and logistics costs low and minimizing total supply chain inventory holdings.

Effective inventory management is essential to supply chain competitiveness. Recent industry reports show that inventory costs as a percent of total logistics costs are increasing! Despite this rise, many organizations have not taken full advantage of ways to lower inventory costs.

Very often opportunities to reduce inventory costs are not even addressed at all or are not completely exploited. Landed cost is often the core focus, while often the total cost of ownership is heavily influenced by the cost of holding stock in the supply chain.

Every organization needs to look into ways to save money out of inventory and implement strategies that will provide a quick payoff such as

- having less active inventory
- analyse inventory parameters such as sourcing cost, lead-time and MOQ agreements
- transfer inventory ownership responsibility out of the balance sheet

Large companies have a significant bargaining power that could be used to encourage suppliers into SMI /VMI (Supplier/Vendor Managed Inventory) programs that theoretically address some of the basic issues of stock management and reduce excess and obsolescence.

Not every vendor is willing and able to offer and deploy SMI/VMI programs satisfactorily and the ones that offer them will normally blend the financial and logistics costs into the product costing, making it difficult to evaluate them separately and competitively.

Solutions

SerCom provides solutions to optimize the supply chain.

- Sourcing
- Inventory planning
- Purchasing
- Materials QA
- Supplier management
- Inventory reduction
- Inventory financing
- Supplier consolidation
- Logistics
- Product kitting and configuration

News

SerCom Extends Hub Network

SerCom has added another important hub location in El Paso, TX, USA to service the storage and supply of computer parts for customer's manufacturing in the border region of Mexico. The addition of the El Paso location brings SerCom to 12 strategically placed inventory hubs globally, with an additional 20 2nd tier global stocking locations completing the network.

For further information on SerCom's growing global network please contact paul.oconnell@sercomsolutions.com.

VVMI offers a solution by merging procurement aggregation and inventory management services into a “Virtual VMI” service. Outsource Procurement and Supply Management service providers have developed and implemented programs that focus on reducing inventory costs and working capital, making a difference in our customers operations. In VVMI, the third party inserts itself into the their customer’s procurement flow and takes over the

responsibility of placing and managing purchase orders into vendors, controlling shipping and transportation logistics and delivering the goods into their customers vmi/ smi hubs or merge locations in a JIT (just-in-time) basis. In some cases SerCom’s customers simply have to cross-dock pallets, generate invoices and “flash switch title” of the products, achieving almost zero days of inventory metrics.

SerCom Solution’s VVMI Solution

The Solution: SerCom Solution’s offers to purchase, manage and own inventory into designated VMI/SMI inventory hub locations.

How it works: Using your designated supply sources SerCom issues Purchase Orders, by agreement, and procures agreed inventory quantities into our ownership and provides the logistics solutions of freight, transportation and clearance to position that inventory in appropriate global stocking locations. SerCom invoices for both the inventory and services after it has been consumed.

Benefits: SerCom’s VVMI service provides operational and financial savings as well as cost avoidances across multiple areas of the supply chain by implementing proven strategies like:

- Balance between smaller more frequent purchases and achieving reductions on purchasing, receiving and accounting labor through fewer, larger purchases.
- Reduction on Order Transaction Costs (OTC) by centralizing global commodity management and buying activities as well as the implementation of computer generated purchase orders (POs), EDI for PO transmission, advance shipping notices (ASNs) to reduce expediting, and historical vendor performance to prioritise expediting and lower purchasing costs.

- Lowering Inventory holding costs by improving space utilization in outsourced warehouses (which could help to minimize or delay expansion of customer owned facilities).
- Postponement: For parent products from which multiple SKUs can be created, only partially completing manufacturing, placing semi-finished product in inventory, and then completing manufacturing of the final SKUs to order reduces total inventory.

Once the VVMI Program is implemented, SerCom assumes the responsibility for the replenishment of our customers required inventory. This is possible through the implementation of simple IT connectivity to ERP and MRP systems in order to obtain visibility into both inventory and production schedule as well as our customers demand data. VVMI programs provide extremely high availability of inventory and over time can reduce or reduce excess and obsolescence costs.

There are numerous ways to take better control of inventory and decrease its associated costs. Many of these strategies may seem challenging to implement; however, they have all been used successfully for years. The key to managing inventory successfully is to continuously measure your performance and look for new ways to improve. SerCom has multi-year experience on these matters and is just a phone call away!

