Implementation of VMI at Barilla

• Gained support of Executive VP of Sales
• Ran experiment at Barilla’s Florence depot
  (Result: inventory from 10.1 to 3.6 days’ supply,
  service to retailers from 98.8% to 99.8%)
• Repeated experiment at Barilla’s Milan depot
• Used a consultant from Milan’s GEA to gain support
  of a large distributor, Cortese, to run a pilot program

Results from Pilot in Cortese’s Marchese DC

Inventory

46.7% Reduction

3 weeks

Start of Program
Results from Pilot in Cortese’s Marchese DC

Stockout Rate to Retailers (%)

Start of Program

Shipments from Barilla to Marchese DC

Shipments

Start of Program
Barilla’s Shipping Decision Rules

- Items stocked out or expected to do so soon
- Items with projected inventory levels below target stock level
- If space remains, do early shipment of promotional items or build up inventory of items closest to their target stock levels
- Adjust to minimize # of different items, and mix heavy and light items
- Forecast: 30 day average
- Trucks hold half pallets above full pallets; adjust for this
- Plan shipments one week ahead, but fine tune until two days before shipment

Implementation Experiences

- The “slow-moving” pallet
- Dis-spirited sales force…
  … “Just one more pallet?”
- Disgruntled distributors used to deals
- Off-line planning for distributors’ promotions
- Lost pallet/computer crash/information errors
Barilla (1994-1997) Update

- 70% of distributors = 35% of retail volume on JITD
- Some distributors are demanding the same type of service from other key suppliers
- Average distributor cuts inventory from 3.5 weeks to 1.8 weeks, and stock-out rate from 4.7% to 0.3%
- Now evolving to use POS data, with DCs serving as cross-docking point
- Promotions are paid on POS, reducing forward buys

Barilla (2001) Update

- Internal system used for demand forecasting and inventory planning was not very efficient
- They purchased Manugistics s/w in 2001
Summary

- Bullwhip effects are harmful to the efficiency of a supply chain
- Vendor-managed inventory (VMI) can be a win-win proposition
- Alignment of organizational objectives needed for implementation
- Use of pilots to prove concepts
- Complete channel coordination is the goal