

# Insight<sup>®</sup>

High Tech

Low Cost

Smart Business



## **Insight's Journey to Employ Best Practices in Supply Chain Management**

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# Supply Chain Strategy

- Virtual Inventory (80/20 split)
- Reduce the Risk of Obsolescence by tightly managing our On Hand Inventory
- View Suppliers as Alternative Customers
- Utilize Mfrs., Distributors, and Brokers for supply
- Benchmark against competitors

# Best Practices

## 1) Cascade (Communicate Directly with our Customers to facilitate the flow of their orders)

### Order Flow (Water)

- Suspend
- Mgt. Hold
- Newbee Hold
- Misc. Hold
- Future Release Date



### Responsible Department (Rocks)

**SALES**

- 
- Systems Integrity Check



**SOFTWARE LICENSING DESK**

- 
- Credit Card Auth Hold
  - COD/Terms Credit Hold
  - Acc. Hold
  - Acc. Pickup Hold
  - Verification Hold
  - Cross Ship Hold



**CREDIT**

- 
- |                               |                    |
|-------------------------------|--------------------|
| •Inventory Shortage           | •Channel Balance   |
| •Inventory Shortage/Allocated | •Licensing         |
| •CTO                          | •Offhold/Unprinted |
| •Disco'd on order             |                    |
| •Manual DropShip              |                    |



**SUPPLY CHAIN  
MANAGEMENT**

- 
- Integration



**INTEGRATION**

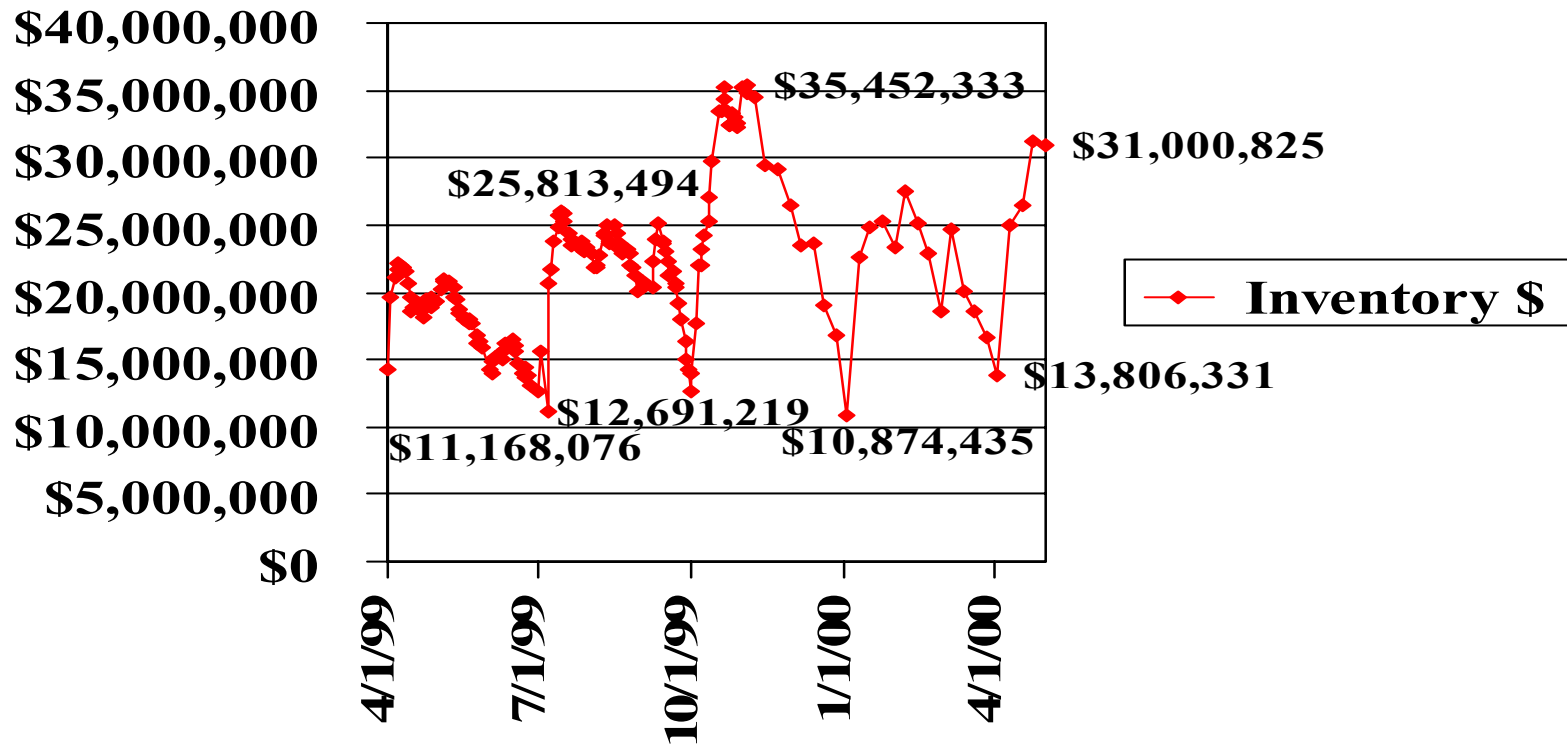


**Customer Receives  
Order**



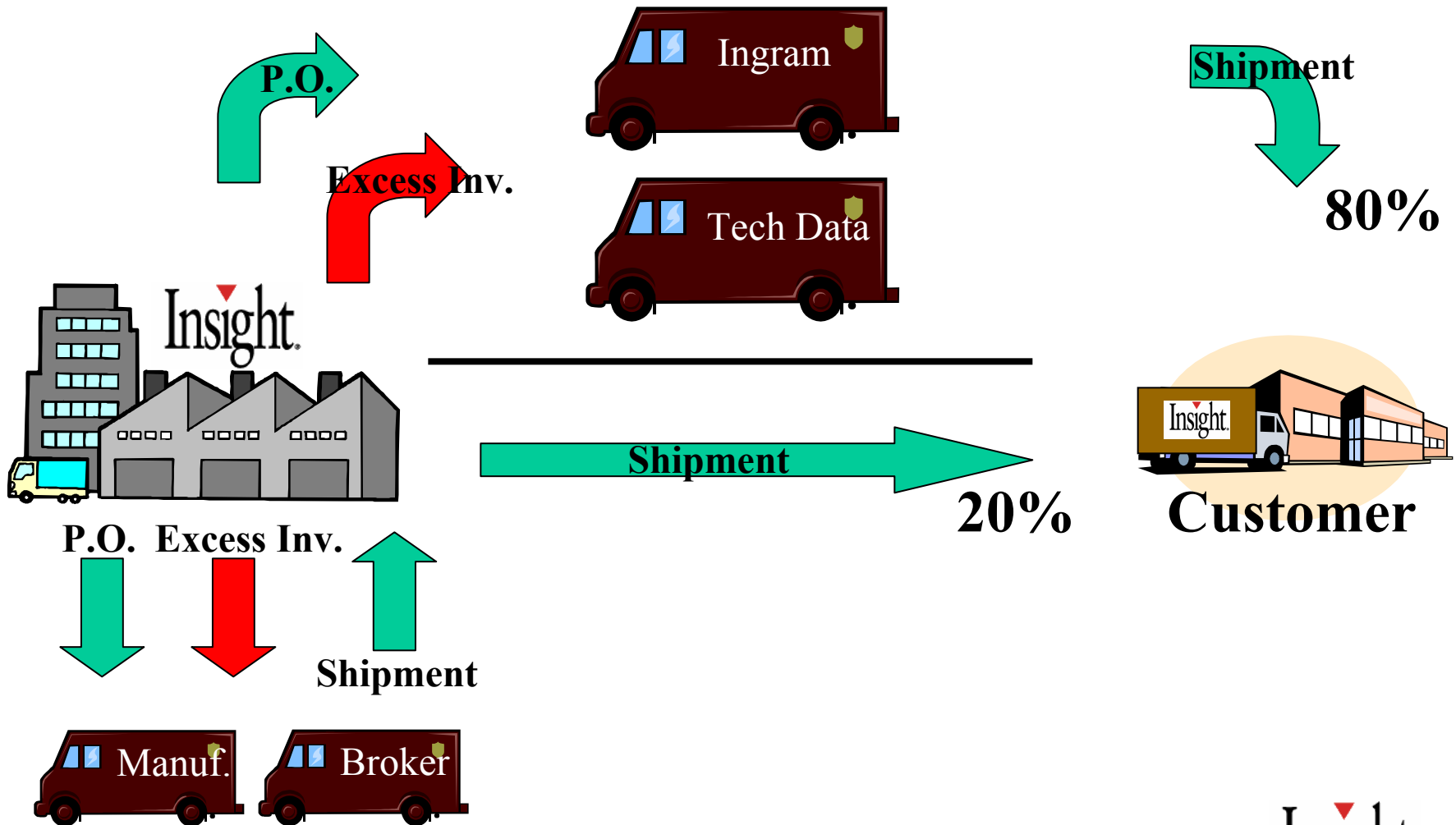
# Best Practices

## 2) JIT Inventory Management



# Best Practices

## 2) JIT Inventory Management (Cont.)



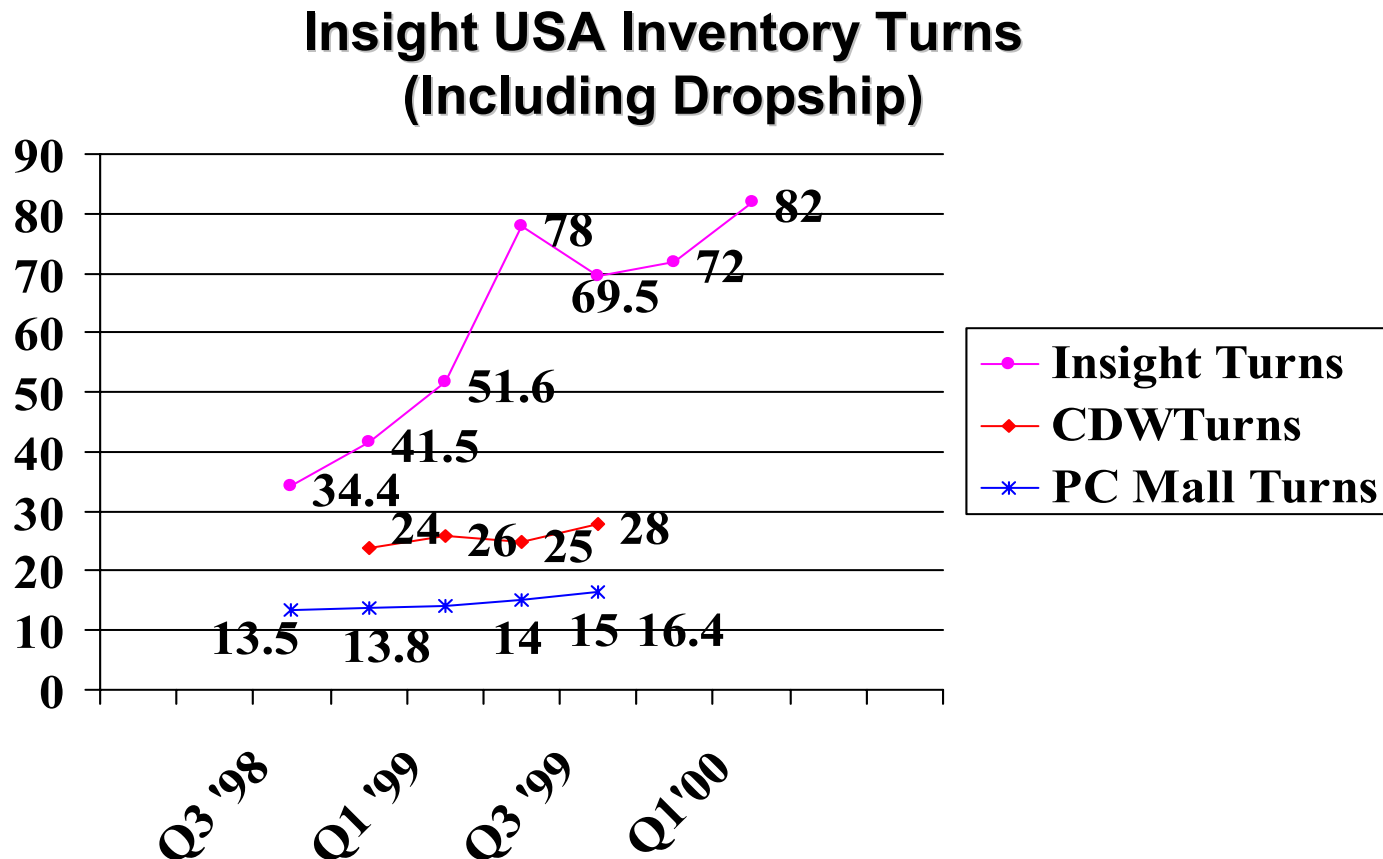
# Best Practices

## 2) JIT Inventory Management (Cont.)

- Utilize Brokers to find customers to buy my inventory at cost
- Utilize my Suppliers to buy my inventory at cost
- 80% Dropship to Customers, 20% Buy to Stock

# Best Practices

## 3) Elimination of Product Writedowns



- 1998 Writedowns \$3.2 Million
- 1999 Writedowns \$369,976



# Best Practices

4) Maximum Utilization of Procurement Resources

14 Buyers for \$2 Billion in Purchases Annually

# E-Commerce Best Practices

## 5) EDI

- 850 EDI order sent
- 855 EDI order confirmation/rej.
- 856/870 EDI order Tracking
- 810 EDI Order Billed (Invoicing purposes)
- 832 Pricing file
- 846 Inventory
- 867 Sell through (report that is sent to mfg.)

# E-Commerce Best Practices

## 6) Access to Real Time Supplier Inventory

SUPPLIER PART MATRIX

PRODUCT CODE: HP130111      HP LASERJET 4050      WEIGHT: 52.01bs

**MFG PART#: C4253A#ABA**

AVG COST: 1318.84    GP%: 1

0.      STATUS: G      NET COST: 1318.84    CURR COST: 1318.84    INV: 0

DROPSHIP    REPLNISH

	<u>SUPPLR</u>	PART NUMBER	STAT	MFG PART#	<u>COST</u>	COST	GP%	<u>INV</u>
1.	Merisel	40129	G	C4253A#ABA	1424.52	1424.52	-6	1672
2.	Techdata	683203	G	C4253A#ABA	1423.99	1423.99	-6	2987
3.	Ingram	130111	G	C4253A#ABA	1432.64	1432.64	-6	2296
4.	Pinacor	HPC-C-80010	G	C4253A#ABA	1405.63	1405.63	-4	0
5.	Synnex	182027	G	C4253A#ABA	1424.95	1424.95	-6	2101
6.	Insight	HP130111	G	C4253A#ABA	1318.84	1318.84	1	2149
7.								
8.								
9.								
10.								

# E-Commerce Best Practices

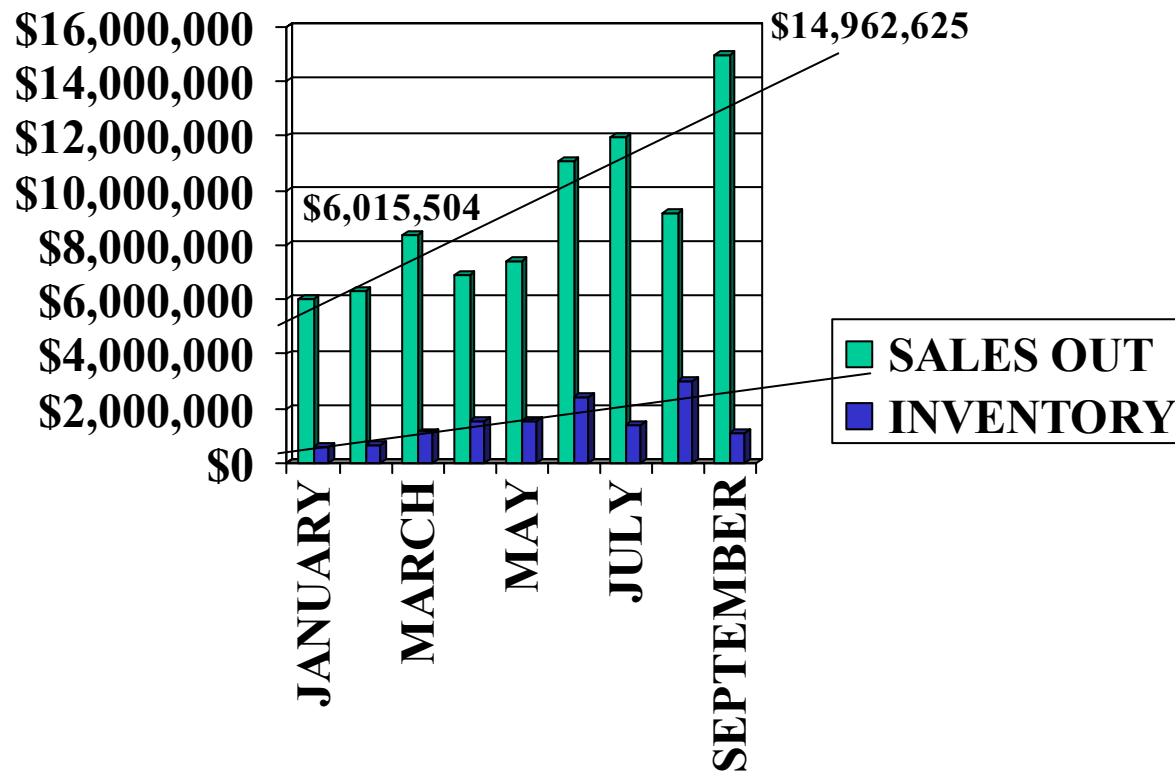
## 7) Rosettanet Compliant

- Founding Board Member of Rosettanet
- Installing XML Translator for B to B communication (2nd generation EDI)
- Internal Categories & Attributes aligned with Rosettanet Standards
- Web interface aligned as close as possible to meet both Customer and Rosettanet requirements.
- Adjusting Infrastructure to support Rosettanet communication categories
- Requiring all new EDI partners to become Rosettanet compliant

# Accomplishments

# **IBM Procurement/Stocking Position**

# IBM Procurement / Stocking Position

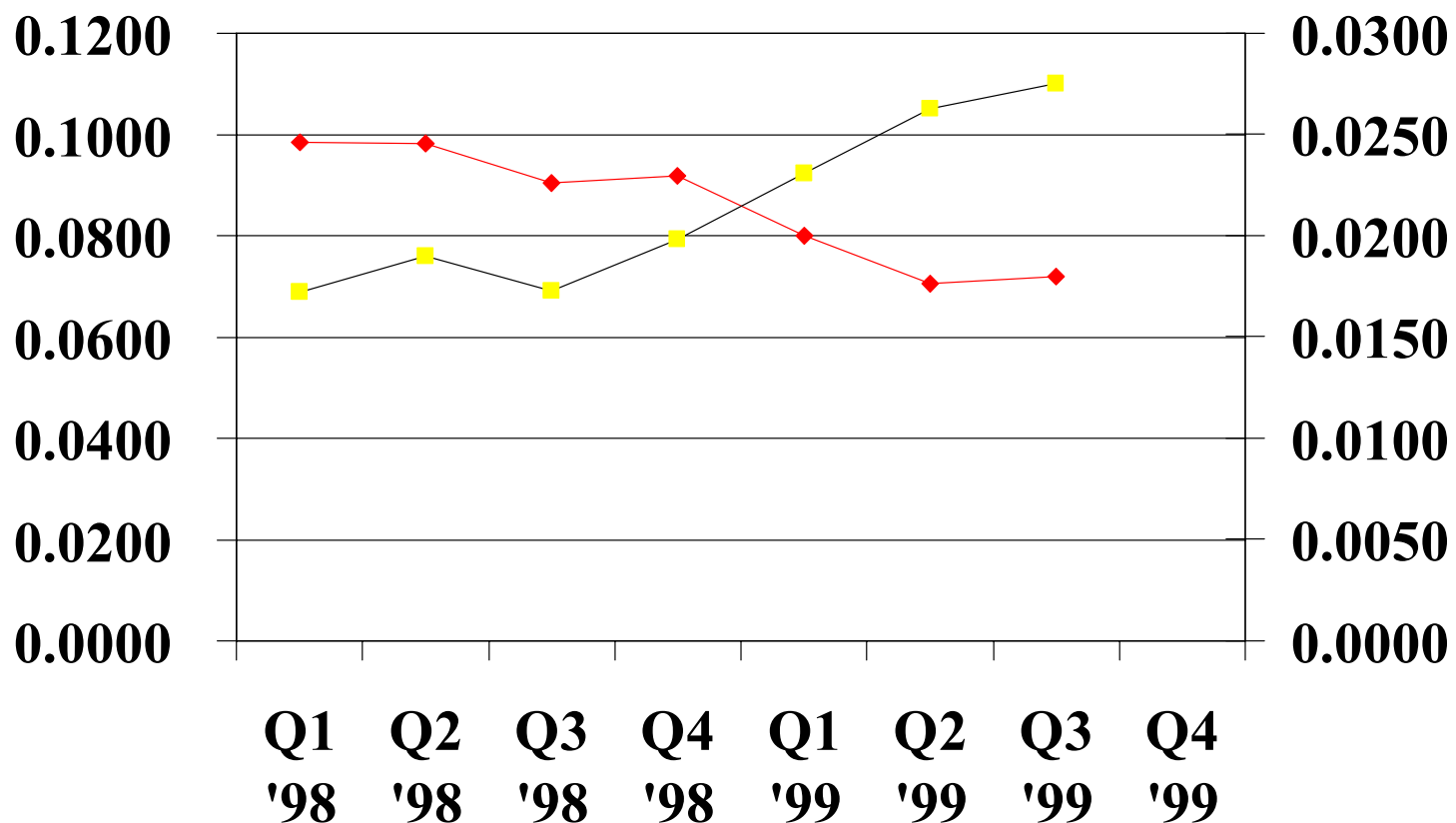


Customer Benefit = More Availability of Allocated Product  
Insight Benefit = Increased IBM Monthly Sales by \$8,947,120,  
= \$28,042,574.94 in Additional Sales Revenue

# **Gross Operating Expenses vs. Net Earning**



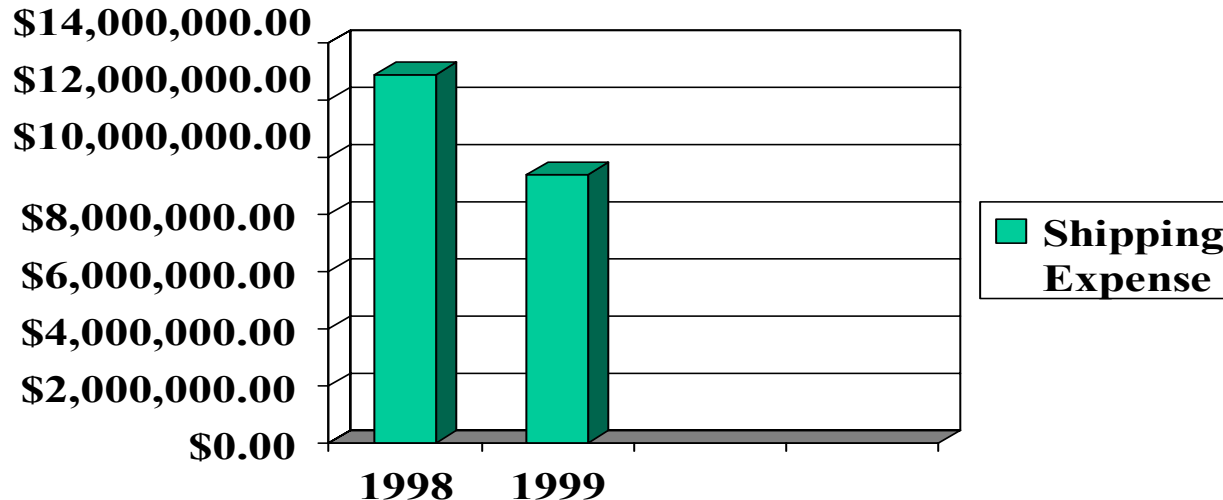
# Gross Operating Expenses vs. Net Earning



—◆— Gross Operating Expenses —■— Net Earnings

# **Reduction in Shipping Expenses**

# Reduction in Shipping Expenses



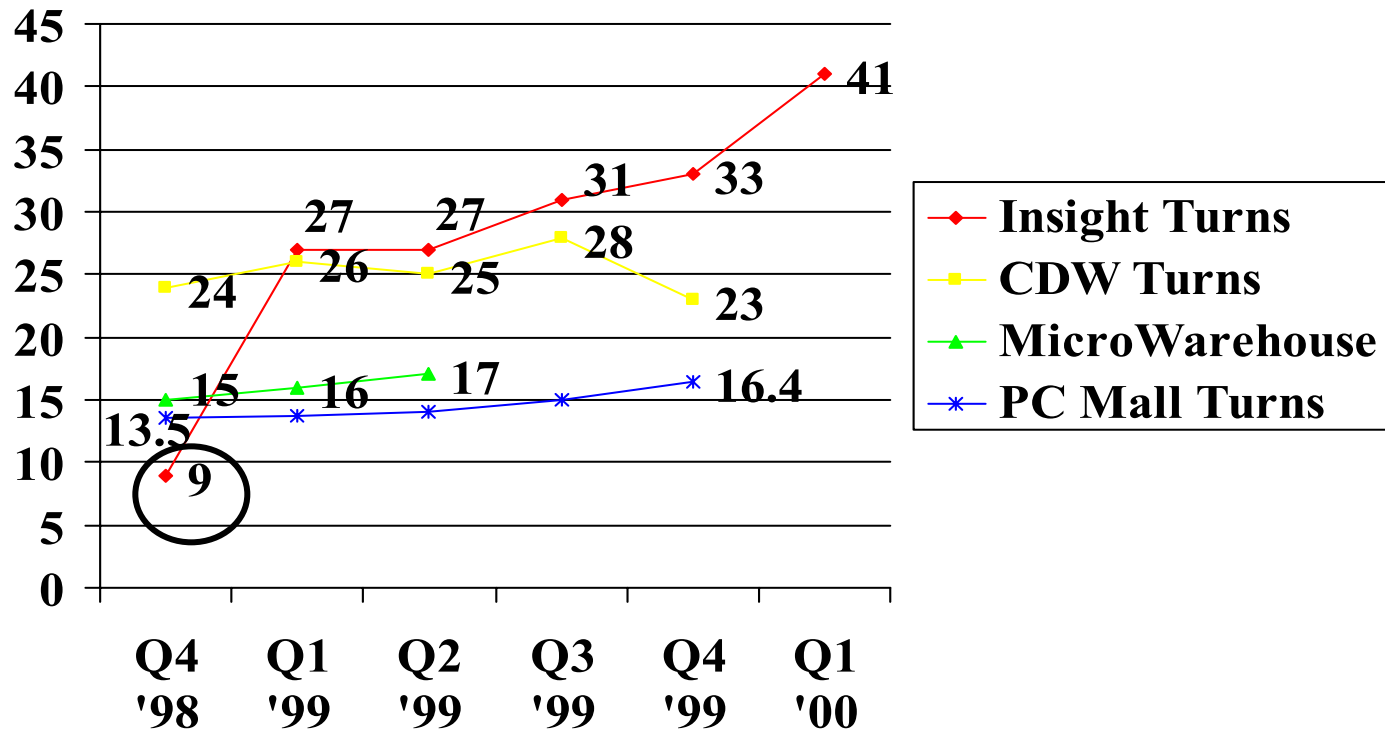
- 1998 Shipping Expenses \$12,885,653
- 1999 Shipping Expenses \$9,399,468
- Difference = \$3,486,185

Customer Benefit = Lower Operating Exp. = Lower Prices

Insight Benefit = \$3,486,185.00 Contribution to Profit

# Inventory Turns

# Insight USA Inventory Turns (without Dropship)

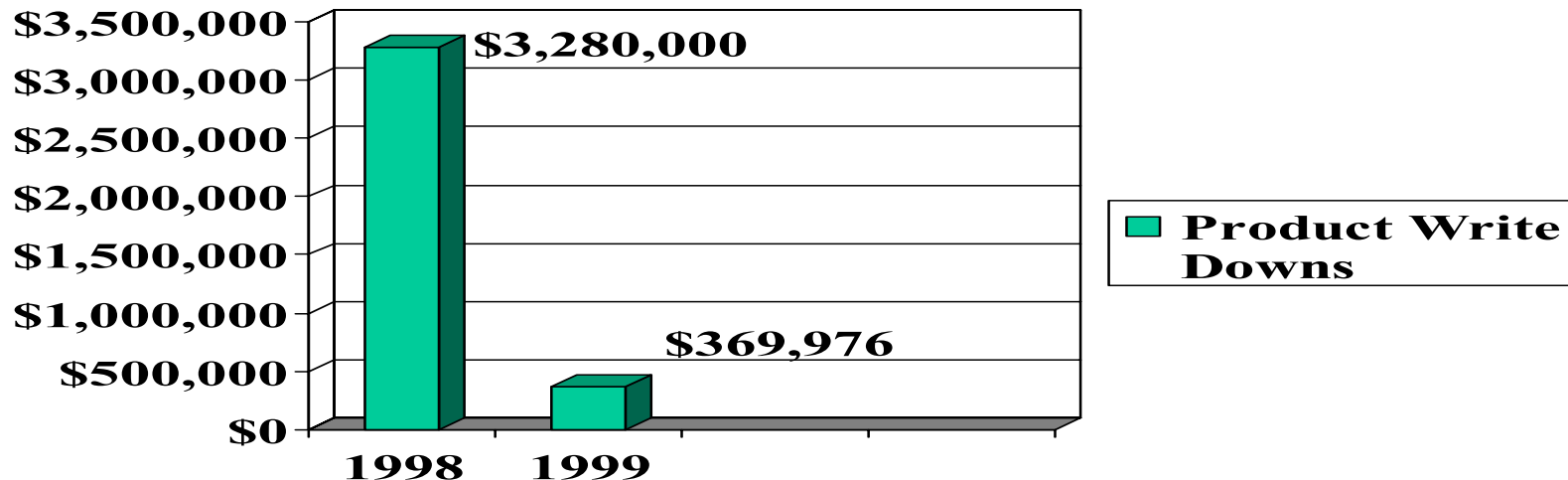


# **How do Inventory Turns benefit your company?**

- 1) Reduces the Risk of Obsolescence (Write Downs)**
- 2) Reduction in Inventory Carrying Cost**
- 3) Opportunity Cost Profit**
- 4) Reduces Shrinkage, Insurance, and Handling Charges**
- 5) Increases Cash Flow**

# How do they Increase Profitability?

## 1) Reduces the Risk of Obsolescence

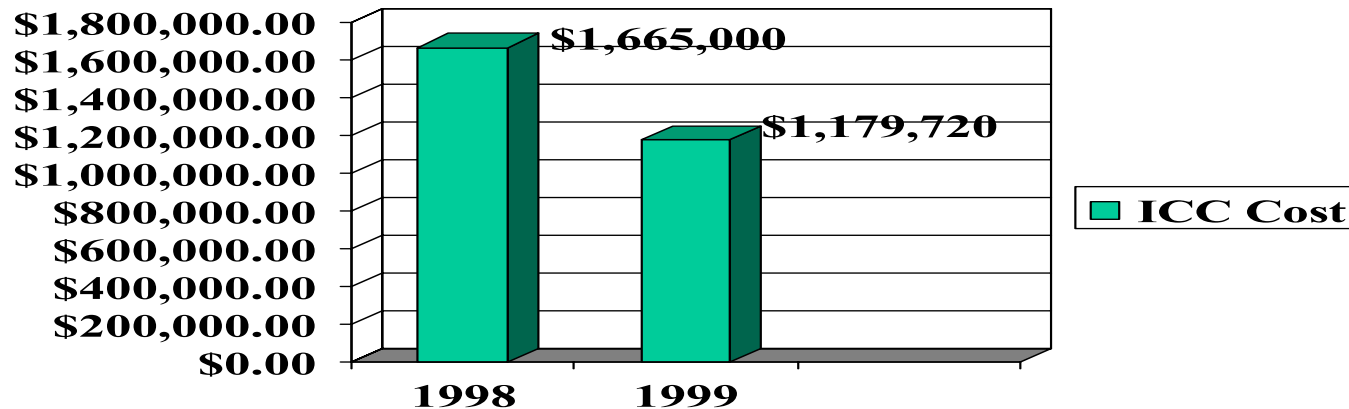


- 1998 Inv. Write Downs - 3.2 Million
- 1999 Inv. Write Downs through Q3, - \$277,482 1999 Forecast, \$369,976

Customer Benefit = Lower Operating Exp. = Lower Prices  
Insight Benefit = \$2,910,024.00 Contribution to Profit

# How do they Increase Profitability?

## 2) Reduction in Inventory Carrying Cost (ICC)



Annual ICC 9% (7% Cost of Money + 2% Overhead)

- Every \$1 Million of Inventory costs the company \$90,000 per year in Carrying Cost
- 1998 Ave. Inv. Level \$18,500,000, 1999 Ave. Inv. Level \$13,108,000

ICC Savings from 1998 to 1999, \$5,392,000 X .09

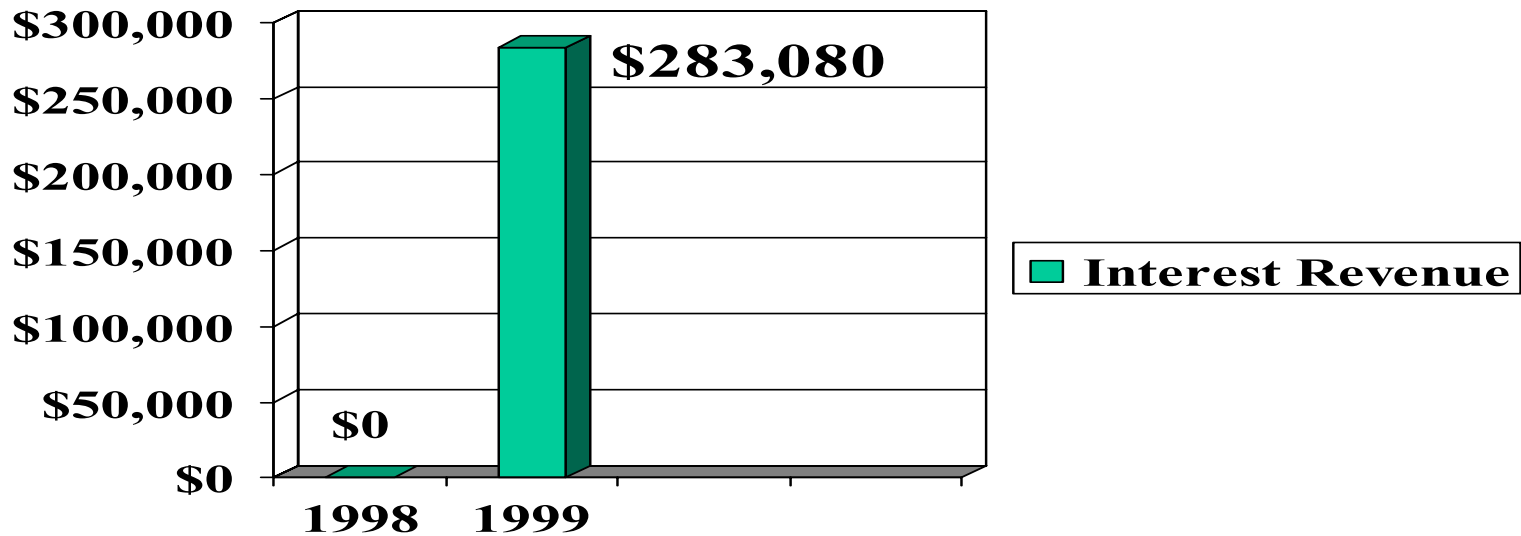
Customer Benefit = Lower Operating Exp. = Lower Prices

Insight Benefit = \$485,280.00 Contribution to Profit



# How do they Increase Profitability?

## 3) Opportunity Cost Profit



- \$5,392,000 invested by Insight, 5.25% (pre-tax) Return

Customer Benefit = Lower Operating Exp. = Lower Prices  
Insight Benefit = \$283,080.00 Contribution to Profit

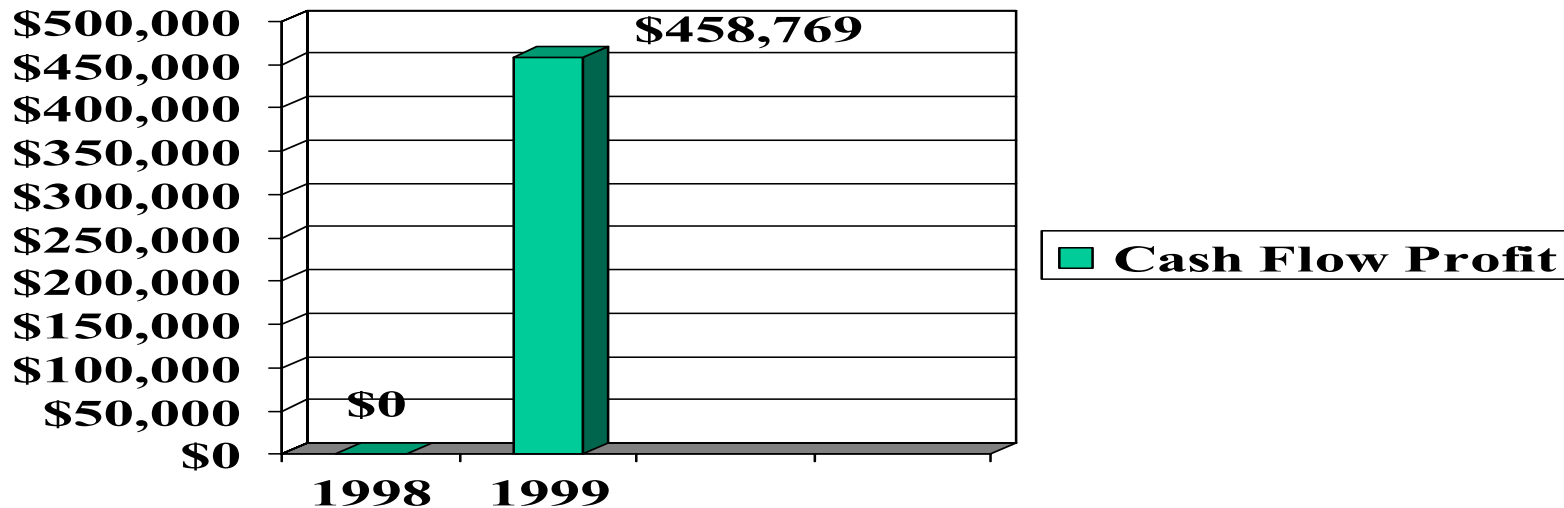
# How do they Increase Profitability?

## 4) Reduces Shrinkage, Insurance, and Handling Charges

Customer Benefit = Lower Operating Exp. = Lower Prices  
Insight = Estimated at \$200,000.00 Profit

# How do they Increase Profitability?

## 5) Increases Cash Flow



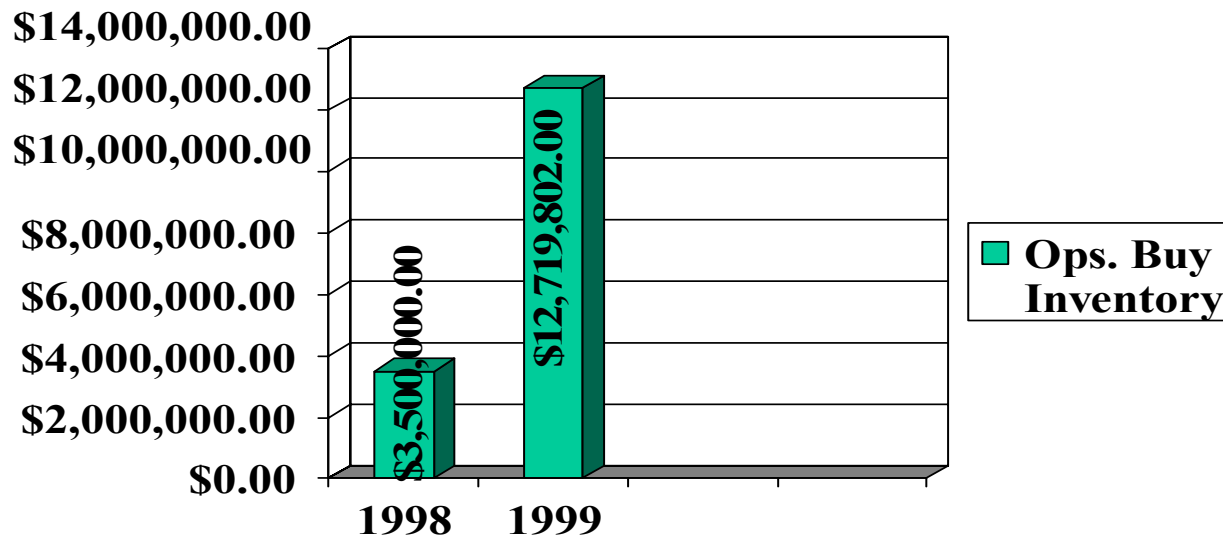
- Currently Turning our Inventory every 11.7 Days
- Average Days to Pay Invoices 25 - 30 (27)
- 27 Days - 12 Days = 15 Days, \$13,108,000 Inv. X .0029 (.07/24 Periods)
- = \$38,230 Per Month X 12 Months = \$458,769

Customer Benefit = Lower Operating Exp. = Lower Prices

Insight Benefit = \$ 458,769.00 Contribution to Profit

# Opportunistic Buys

# Opportunistic Buys



- 1998 Opps. Buys \$3-4 Million
  - 1999 Current On-hand Opps. Buys \$12,719,802
- = \$ 60,800,000.00 Qterly Sales Revenue (20% of Q3 Revenue 304K)

**Customer Benefit = Outstanding Deals!**

**Insight Benefit = \$ 243,200,000.00 Contribution to Annual Sales Rev.**

# Summary

## Contribution to SALES REVENUE

- **\$28,042,574.94** Contribution to IBM Sales Revenue
- **\$243,200,000.00** Opportunistic Buy Sales Revenue

**\$ 271,242,574.94 Contribution to Sales Revenue**

## Inventory Management Contribution to PROFIT

- **\$3,486,185.00** Reduction in Shipping Expenses
- **\$2,910,024.00** Reduction in Inventory Write Downs
- **\$485,280.00** Inventory Carrying Cost Savings
- **\$283,080.00** Opportunity Cost Profit
- **\$200,000.00** Reduces Shrinkage, Insur., and Handling Charges
- **\$458,769.00** Increased Cash Flow Profit

**\$ 7,823,338.00 Contribution to Profit from Inventory Activities**

# Summary

- 1) \$37,973,960.49 Contribution to Profit, \$ 271,242,574.94 Contribution to Sales Revenue X 14% (Opportunistic)
- 2) \$7,823,338.00 Contribution to Profit from Inventory Activities

## Customer Benefit:

**Outstanding Deals, More Shipments,  
More Availability, and Lower Prices**

## Insight Benefit:

**\$ 45,797,298.00 Contribution to Profit**

# Overview

- Virtual Inventory/JIT Management is the way to go!
- Obsolescence = Lost Profit, tightly manage your inventory
- View Suppliers as Alternative Customers
- Benchmark against your competitors
- Never be satisfied with 2nd place, always strive to be better than your competition