

# SupplyChainDigest™

## Case Study: VWR International

### VWR Finds Getting More “Demand-Driven” and Changing Its Approach to the Business Can Pay Big Rewards

#### *Company a prime example of the dynamics in the wholesale segment*

**The News:** [VWR](#), a multi-billion dollar wholesaler of scientific products, lab supplies and other products, is finding promising initial results in its strategy to make the company more “demand-driven” and change many of the ways it has operated for decades.

**The Impact:** There are powerful dynamics occurring right now in the wholesale distribution, with rapid changes in relationships on both the manufacturing/buy side as well as the customer/sell side. Most observers believe wholesalers that fail to adapt will struggle to succeed.

**The Story:** VWR is a \$3 billion dollar, global wholesale distributor of scientific and lab equipment, supplies, chemical and furniture, serving more than 150,000 customers and distributing products from over 5000 manufacturers. Despite many years of business success, the company was beginning to feel pinched by many of the competitive and environmental forces facing much of the wholesale distribution industry, according to Dave Shellenbarger, Director, Inventory Management for VWR International. That required a major strategic re-assessment, which includes a major look at how the company ran its supply chain.

“We took a complete look at the entire business,” Shellenbarger said. “We made a number of process-based changes that included adoption of many supply chain best practices.”

Like many companies in the wholesale distribution industry, VWR is facing pressure and opportunity on a number of business fronts. In general, many wholesale distributors are seeing some of their traditional role and value for the customer being changed by the Internet and other forces. For example, the role of the wholesale distributor in terms of being the primary source of product information and availability is very different in a “google economy,” whether the company is a business-to-consumer (B2C) or business-to-business (B2B) distributor.

“The role of wholesale distributors and how to make profits used to be very clear and distinct,” said Supply Chain Digest editor Dan Gilmore. “Now, changes on both the buy and sell sides are rapidly changing that position, bringing both opportunities for those companies that can adapt and severe threats to those which can’t.”



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In addition, many wholesalers have been historically successful having a “purchasing centric” view of the world, with the company oriented towards buying opportunities and terms, rather than a being more “pull” oriented and letting customer demand drive the rest of the company’s supply chain and purchasing patterns.

Pressure from both the buy and sell sides is negatively impacting margins percentages for many distributors as well.

VWR was strategizing on how to make the transition to being more demand-driven when it was purchased two years ago by a private equity firm. That added an additional focus on improving cash flow and working capital – both of which are heavily driven by how well a distributor manages its inventory.

Overall, the company has embarked on a broad strategic overhaul, with a significant supply chain and “demand-driven” focus. In addition to taking a number of actions to impact cash flow and margins through better forecasting and inventory management programs, it is also looking to increase its visibility to its supply chain internally and to use that information to better collaborate on both the buy and sell sides.

New technology in the area of demand planning, inventory management, and performance measurement is a key part of that, says Shellenbarger, but must be deployed in the context of significant process re-engineering.

“We’re redefining business process, with very specific goals and priorities,” he said. The company was using a traditional “re-order point” purchasing and replenishment paradigm that looked at policies but didn’t really consider expected demand. In piloting new technology from supply chain planning and execution software provider [Logility](#), the company is finding substantial improvements in inventory levels through more accurately forecasting demand and letting that forecast combined with trade-off analysis and SKU-based inventory policies determine optimal stocking levels and purchasing requirements.

A test in one SKU category, for example, demonstrated a 35% reduction in total on-and inventory as a result of the new processes and software tools. Key to that is using the Logility system’s ability to time-phase demand forecasts and SKU replenishment requirements, a significant improvement over re-order point systems.

Like many wholesalers, VWR is also more heavily moving into private labeling and global sourcing, and these longer supply chains put even more pressure on inventory management. Shorter product lifecycles and the need to better manage new product introductions and end-of-life’s is also critical to a distributors. Shellenbarger believes the new planning tools will also help improve results in both those areas as well.

“As we implement new planning processes and technology, we’ll look next to improving our collaboration with suppliers and customers,” he said. “We also think there are opportunities to improve internal collaboration.”



**Dave Shellenbarger,  
Director, Inventory  
Management, VWR  
International**

## About Logility

With more than 1,100 customers worldwide, Logility is a leading provider of collaborative, best-of-breed supply chain solutions that help small, medium, large and Fortune 1000 companies realize substantial bottom-line results in record time. Logility Voyager Solutions is a complete supply chain management solution that features performance monitoring capabilities in a single Internet-based framework and provides supply chain visibility; demand, inventory and replenishment planning; supply and global sourcing optimization; manufacturing planning and scheduling; transportation planning and management; and warehouse management. For more information, visit [www.logility.com](http://www.logility.com).

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For more information, contact SupplyChainDigest at:

937-885-3253

[www.scdigest.com](http://www.scdigest.com)

email: [info@scdigest.com](mailto:info@scdigest.com)