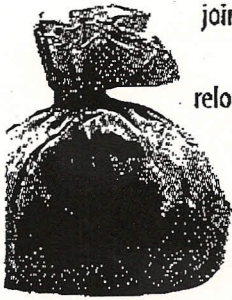


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PAGE 2.

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Vendor-managed inventory systems utilize emerging software technologies

BY MATHEW VERGHESE
SPECIAL TO HOUSTON BUSINESS JOURNAL

A vendor-managed inventory system utilizing emerging software technologies and the Internet can help companies build stronger trading partner relationships.

Through such a system, the supplier, rather than the customer, is responsible for managing the entire process of inventory monitoring, optimization and order fulfillment.

A vendor-managed inventory system is dependent upon the seamless and timely exchange of information across a network of trading partners. Historically, the significant upfront expense of new hardware and software and ongoing maintenance and personnel costs meant that such systems were feasible for only large companies. Now, businesses of every size and at every level of technical capability can reap the benefits of such systems.

An effectively implemented vendor-managed inventory system requires:

- Integration technology. A platform should include support for diverse communication formats, messaging capa-

bilities, security administration and business rules processing logic.

- Network-enabled application. Integration across companies should be a core feature.

- Customizable replenishment logic. A business and its trading partners should be able to uniquely define their key business rules.

- Linkage to internal applications. The application should allow a company to integrate network systems.

With such a system the supplier and customer enter into a preferred trading relationship, increasing supplier sales. The supplier is able to optimize production plans by integrating more timely and complete sales information.

Customers appreciate an effective vendor-managed inventory system's more effective supply chain, which reduces or eliminates store/warehouse out-of-stocks.

Many purchasing and inventory-related administrative chores also are eliminated. ■

MATHEW VERGHESE is president and chief operating officer of EC Outlook.