

Exensys Software Solutions Ltd.		AA/B/CCDD V x.y
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**exensys**  
Business Performance Sustained

**Best Practice  
eXensys – Consignment**

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## Introduction

At the advent of globalization, economies have witnessed intense competition in every industry vertical. Today's Trading establishments are competing with each other, in each and every the aspect of their businesses.

Traders now are framing new engagement models with each other, in which they are looking for the following business benefits.

- 1) Creating liability for payment to the vendor, Only at *actual consumption* of the stock, *not merely having the stock in the premise*
- 2) Ability to plan on the vendor stock.
- 3) To keep the inventory to the minimum yet ensuring no stock-out situations..

The engagement model discussed above is called Consignment Management. eXensys Industry Trading Solution's Consignment processes handles the Consignment engagement process comprehensively.

## Overview

eXensys Industry Trading Solution's Consignment Management, handles the complete Consignment life-cycle, visa-vis the Consignor and the Consignee.

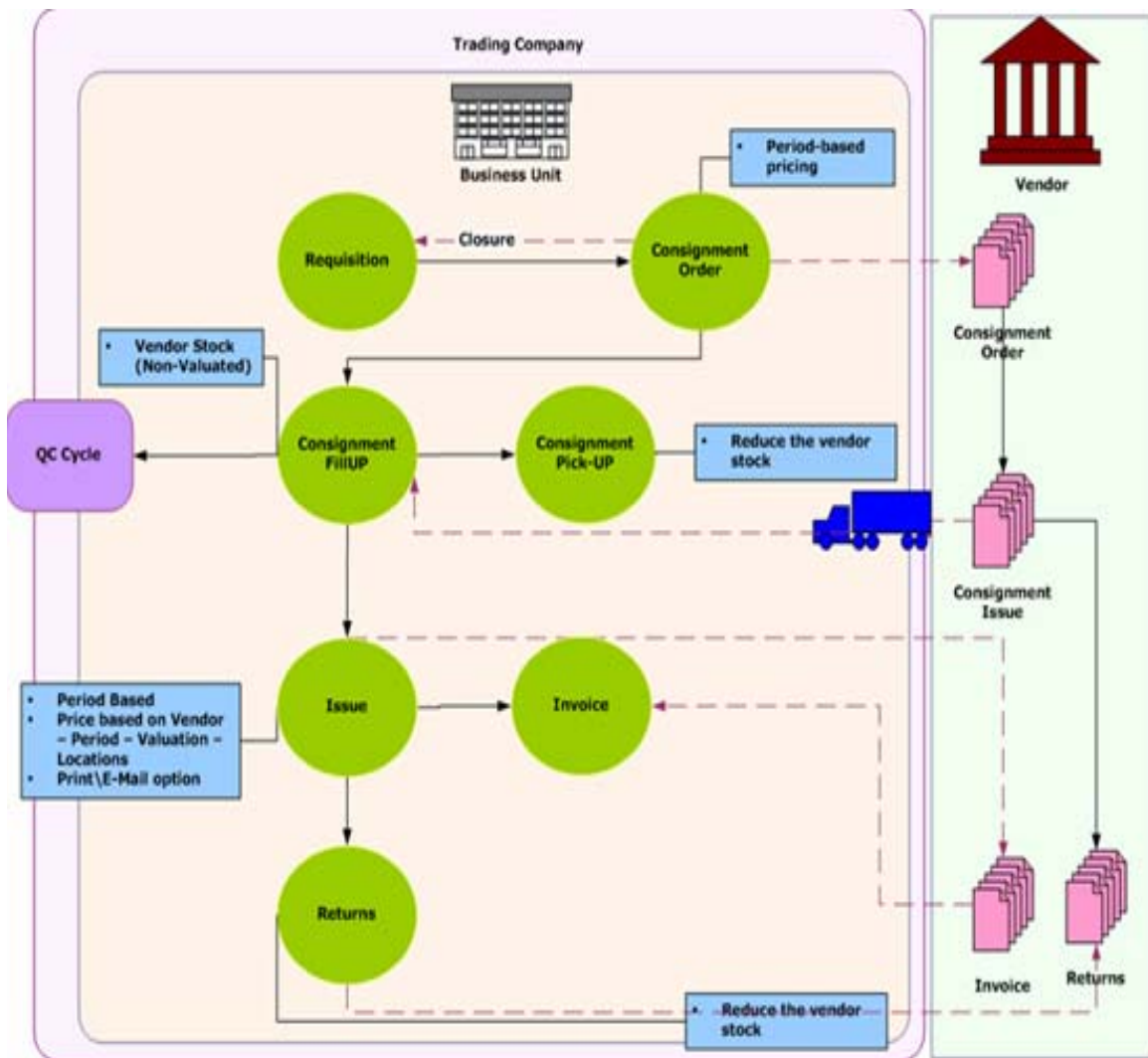
The system provides the flexibility for the Consignee to consolidate his consignment stock requirement, through the **Consignment Requisition** process. The Consignment Requisition process classifies and consolidates the consignment material purchase requirements of a trader, across its organization. The typical sources of consignment material requirements can be categorized into Planning and Tactical sources. The planning sources or the material requirements includes the ROL Indents, Purchase Indents, where as the tactical sources of the material requirement includes the Customer Orders and material requirements of the User Departments. After the consolidation, the system also captures Consignor/Consignee Info and the line item schedule along with other processing details.



Consignee makes payment for a consolidated amount of Consignment Issues occurred during a specific time period.

The consignor on the other hand **Invoices** the consignee based on issues occurred from its stock, during a specific period of time, normally once in a month. The consignee accepts the invoice and settles the same with the issues, done for delivery. Further the consignee makes the payment to the consignor for the accounted invoices.

In cases where the consignee receives the return material from its customer, the same is forwarded back to the consignor through the **Consignment Return** process.



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## Typical Business Problems of Trading Industry:

Traditional trading business suffer from the huge inventory carrying costs, poor cash flow, significant procurement lead time and lacks confidence to promise the exact delivery dates. eXensys Consignment Management address these critical pain areas of the traders.

### 1) Inventory Optimization

Traders often end-up having a huge pile of inventory in its warehouse, in anticipation of the customer orders and for ensuring the critical stock-out situations. These increased inventory incurs additional cost and affects the bottom line negatively.

eXensys Consignment Management processes, reduces the inventory carrying cost to a significant level. In the consignment management process, the engagement model enforces the consignor to keep the consignment stock replenished, based on different stock parameters. Hence the trader avoids the stock out situations.

Further the trader takes the stock into its inventory only on the consumption basis. This eventually helps reducing the inventory level of the trader to a significant level hence saves huge cost, which would have incurred in carrying the regular stock in normal trading flow.

Apart from the above the inventory carrying cost further depletes as the expenses incurred in maintaining the consignment stock, is borne by the consignor.

So, eXensys Consignment management processes optimizes the trader's Inventory, reduces the carrying cost, prevents stock-outs, hence contributes the bottom line positively.

### 2) Eliminating the Procurement Lead time

One of the significant business obstacle, is the long lead times of the procured material. In traditional trading business the Order Management processes, converts the customer orders to the procurement orders, then the customer has to wait for the entire quantity/partial quantity of the order for the tenure of the order lead time.

eXensys Consignment Management processes, enforces the consignor to ensure consignment stock availability, based on an array on inventory parameters. Traders takes the requisite stock from the consignment stock, based on their actual consumption needs. Thus eliminates the procurement lead time or reduces the same to a significant level.

### 3) Enhanced ATP

With the eXensys Consignment Management processes, traders now can plan for their customer delivery efficiently, considering the consignment stock. The Available to Promise functionality considers the consignment stock as part of the available stock and hence makes the trader to commit delivery schedules more effectively.

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#### 4) Faster Cash Flow

In a traditional trading business model, the procurement of material is done well in advance anticipating the customer orders. The same is then processed for the sales orders. Even after the sale, the trader has to wait for the certain period for the payment receipt. Hence the cash cycle gets slow, as the huge stock piling occurs for the same.

eXensys Consignment Management process, makes the trader liable for the payment only in case of the actual consumption of the material, rather than paying for the consignment stock. Hence, the cash is not blocked at the additional stock. Hence the cash flow get faster.

#### 5) Enhanced Vendor Relations

In the Consignment engagement framework, consignor gets assured amount of business. In addition to the same, the consignor negotiates for the *period based pricing*. This pricing framework enforces for more payment for a delayed sale, hence ensures marginal profits realization by the consignors. Hence the vendor relations of the traders gets enhanced. This in turn helps for smooth flow of business.

#### Benefits:

In this whole process, the consignee enjoys the following advantages.

- 1) Un-interrupted supply of material, hence avoids the critical stock-out situations.
- 2) Not liable to pay for the consignment stock, though the stock is available at its warehouse.
- 3) Procurement is on actual consumption basis. Hence Inventory lies at the minimum requisite level, hence saves the Inventory cost.
- 4) The consignor bears the cost of the maintaining the consignment inventory, hence the consignee further gets rid of a vivid inventory costs.
- 5) The consignee takes the advantage of planning its sales and delivery and out-bound logistics, taking the consignment stock into account.
- 6) Enhanced cash flow due to optimized inventory.
- 7) Enhanced ATP.
- 8) Better Vendor Relations

However, the consignee provides the storage place for the consignment goods and hence, incurs the cost for warehousing the same.

On the other hand, the consignor enjoys the following benefits

- Assured business from the consignee.
- It takes this process of consignment sales as a new channel of business.

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## Conclusion

eXensys Consignment Management process provides a comprehensive solution to the trading industry for both the consignment environments viz. Consignment IN and Consignment OUT. It empowers the organizations to receive the consignment stock from multiple consignors and at the same time provides the flexibility to act as a consignor to provide consignment stock to multiple vendors.

With the advent of the consignment engagement model, the consignee will now be able to optimize its inventory, have faster cash flow, eliminate /reduce the procurement lead time. So, the organization reaps the value of this model through eXensys Consignment Management processes, which in turn contributes the bottom line of the organization significantly.

