

VAI and Kinnunen: Constructing Efficient Inventory Management

Kinnunen, a family-owned business that offers a range of construction supplies—from air compressors to wood glue—has enjoyed so much growth that its enterprise resource planning (ERP) system was struggling to keep up. This hindered the company's ability to effectively manage inventory and serve customers.

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THE CUSTOMER

Kinnunen is an individually owned private business with more than 80,000 square feet of warehouse space, and 25,000+ more at its retail stores in Stillwater and Enid, Oklahoma. The stores are central Oklahoma's one-stop-shops for sales, rentals, parts, and service of construction and outdoor power equipment.

THE PROVIDER

VAI is an independent mid-market ERP software developer offering flexible solutions and the ability to automate critical business functions for the distribution, manufacturing, retail, and service sectors.

To remedy this, Kinnunen implemented the S2K ERP system from VAI, an independent ERP software developer focused on mid-market firms. Among other benefits, the new solution enhances and streamlines order receipt and picking, and enables more accurate demand forecasting. A robust mobile application eliminates many paper record-keeping tasks.

A one-stop shop for the sale, servicing, repair, and rental of

construction supplies, Kinnunen operates more than 80,000 square feet of warehouse space, and 25,000-plus square feet of retail space at its stores in Stillwater and Enid, Oklahoma. In addition, the company's growing ecommerce business ships to customers across the United States.

To maintain stellar customer service as it grows, the company needed real-time insight into its inventory, says Ryan Andrews, the retailer's general manager. Obtaining this would require a robust and unified ERP solution that would enable Kinnunen to efficiently and accurately track and sell products.

As Andrews and his colleagues assessed potential ERP systems, they looked for an end-to-end system that could handle multiple functions, including equipment servicing, accounting, shipping and logistics, purchasing, and retail and mobile sales. The goal was to avoid having to add and integrate multiple third-party systems.

Finding such a system wouldn't be easy. While Kinnunen, at about 65 employees, isn't a big company, its business model is complex, given

that it sells, rents, and repairs products, and offers these services both in stores and online.

To determine which ERP system would best fit its operations, Kinnunen worked with a consulting firm to assess about 12 different providers. With the firm's help, Kinnunen narrowed the choices to one.

"VAI was the only company that had all the capabilities in one system," Andrews says.

VAI: Independent ERP Solutions

VAI, the company behind Kinnunen's new ERP system, is one of a handful of privately held firms in the ERP space, says Gina Parry, sales manager. VAI works primarily with distributors, manufacturers, retailers and service companies.

With each client, VAI takes a concierge approach, Parry says. Its employees focus on getting to know the company and its goals. Then, multiple VAI teams work with the company as it pursues its objectives.

For example, a mobile team might help the client execute its mobile



goals, while an analytics team assists the company in developing relevant reports and performance metrics. VAI can also customize its software to meet a client's needs, calling on its 46 years of development to guide its efforts.

Many companies that work with VAI are looking for greater visibility and control, which enables them to more effectively invest in their inventory, Parry says. VAI's enhanced demand planning module is embedded within the ERP system and works with real-time information.

The system can help users identify the products in stock, which are selling, which need to be re-ordered, and when to make the purchases. This information boosts efficiency and can help companies better meet customer demands. "That's a big bang for their buck," Parry says.

Prepping for Change

Kinnunen's business model is complex; it sells, rents, and repairs construction supplies and products, and offers these services both in stores and online. An ERP system helps manage the scope of the company's product offerings across multiple locations, including its main campus.

The 18 months prior to going live with the VAI S2K ERP solution were busy ones for Andrews and his colleagues, as well as the team at VAI. Among other roles, the VAI team helped Andrews understand how the system would work.

Andrews also spent about one year gaining enough "polished and shined data" that could be

entered into the system and used for practice, he says. He and his coworkers began organizing the warehouses, placing products in bins to replicate the workflow and organization that would apply once Kinnunen went live with VAI.

"We changed the cadence with how our warehouse employees worked," he says.

In contrast to some technology system implementations, many Kinnunen employees were excited about the changes, and particularly the opportunity to shift from paper to the mobile devices they'd use in the warehouse.

Andrews also spent about six months gathering input from department managers. For instance, they'd check that the serial numbers in S2K matched Kinnunen's live inventory and that open orders were converting correctly from the old system into S2K.

Once VAI developed a test version of Kinnunen's ERP system, the Kinnunen team would come in on weekends to practice running orders through the point-of-sale system. Employees practiced handling different "what-if" scenarios, such as how a phone order would be entered into the system. "We did a lot of mock go-lives," Andrews recalls.

Such practice was critical, given that Kinnunen was going to stop its old system on a Saturday and open with the new one on Monday. Moreover, the system handles multiple functions, including retail point of sale, pickups, and deliveries.

Even with solid preparation and practice, it was impossible to entirely avoid a few hiccups when Kinnunen launched the new system, Andrews says. To address them, three VAI employees remained on-site at Kinnunen for the first week after go-live. "They helped us get through that learning curve," Andrews says. The system's performance continued to improve after that, he adds.

Effective Inventory Management

The hard work of the Kinnunen and VAI teams is paying off in multiple ways. The VAI algorithm allows Kinnunen to more intelligently determine how much inventory to purchase and when to do so. "That has helped us play that game a whole lot better," Andrews says.

For example, the reports can highlight slow-moving divisions and classes within Kinnunen's product lines. "We are now stocking items smarter than we ever have," Andrews says.

S2K's analytic module also provides information on picker efficiency. This information can help Kinnunen more effectively train its employees.

VAI's warehouse management model was "a game changer," Andrews says. Previously, Kinnunen relied heavily on tenured employees knowing the location of various products within Kinnunen's several locations. "We had zones of product, but it was still 40,000 to 50,000 individual items spread out across an acre of property," he says.

In the VAI system, products are

scanned when they arrive and assigned to bins. Kinnunen can complete cycle and bin counts daily, leveraging recommendations from the system. When paired with mobile devices, the new system also enables a paper-free warehouse. In the past, employees would use “stacks and reams of paper to take notes and write down orders,” Andrews adds.

The new system has also slashed training time. Previously, it could take from six months to one year to train new employees to efficiently pick products. Not only did they have to learn where each item was located, but they also needed to know the products’ idiosyncrasies.

For example, some products are sold as a box of 12 and others as a single unit, but the previous system wouldn’t indicate this difference. Not surprisingly, it could take months before new employees became familiar with the products and their locations. “Now I can train a worker in a day or two,” Andrews says.

Boosting Fulfillment Efficiency

In the warehouse, Kinnunen added rigor to its receiving process. As each item is received, it’s scanned and put into a virtual bin. A team then moves the items out of the bin, using information from the system to determine where each item is to be placed.

While the receiving process takes a bit more time than it previously

did, it’s also more effective. As a result, picking items for customer orders is more streamlined. Now, a large order can be picked in about 45 minutes with a high degree of accuracy. Before, this would have taken about 90 minutes. In addition, more accurate cycle counts have helped Kinnunen reduce stockouts.

Continual Cycle Counts

Cycle counts are also more efficient. Kinnunen used to stop operations once a year on a Friday and start counting inventory across its locations throughout the weekend. Finally, on Sunday evening, employees would begin entering corrected inventory counts into the old ERP system. Now, Kinnunen continually completes cycle and bin counts, and its inventory records are more accurate, Andrews says.

The customer portal on the VAI system enables clients to work more efficiently with Kinnunen. Among other capabilities, they can access and review their accounts and print invoices, Andrews says. And because VAI’s ERP solution uses a single, central database, Kinnunen’s clients no longer need to work with separate databases or multiple spreadsheets to obtain the information they need to guide their decision-making.

Along with the technology, the partnership between the two companies has been critical to the implementation’s success, Andrews

says. His access to key people helped him gain an in-depth understanding of warehousing and how the system would work.

Building for Growth

The Challenges

Kinnunen, which offers construction supplies and services, had outgrown its ERP system. It needed a more robust system that could accommodate continued growth, as well as the company’s range of business lines, including the sales, service, rental, and repair of construction equipment and supplies.

The Solution

VAI’s S2K ERP solution.

The Results

- Enable more accurate and timely inventory management.
- Reduce stockouts.
- Cut approximately in half the time required to pick products for orders.
- Provide customers the ability to accomplish more through the online portal.
- Shorten employee training time from about six months to several days.

Next Steps

Enhance the functions available through the customer portal and potentially integrate rental capabilities into the online function.

