VENDOR MANAGEMENT INVENTORY AND ORGANIZATION PERFORMANCE CASE STUDY NAKUMATI SUPERMARKET KAMPALA

BY

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A RESEARCH REPORT SUBMITED TO THE COLLEGE OF ECONOMICS AND MANAGEMENT SCIENCE AS A REQUIREMENT FOR A WARD OF BACHELOR'S DEGREE IN SUPPLY AND PROCUREMENT MANAGEMENT OF KAMPALA INTERNATIONAL UNIVERSITY

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DECLARATION

I, **Masiko Dan** hereby declare that this is my original work and is of my own findings and has never been produced by any researcher for the same award in the institution of Kampala International University

Signature.....

Mr. MASIKO DAN

Date...8/2/2016.....

APPROVAL

This is to certify that the research of Masiko Dan has been under my supervision and is now ready for submission to the college of economics and management for the award of supplies and procurement management degree of Kampala international university.

Signature ..... Date .....

Mr. MASABA RICHARD

DEDICATION

I extend my thank to my parents Mr. Twesigye Benon and Mother Mrs. Kyomuhendo Judith , my brothers for making me understand the value of education, especially my parents. Brothers and sisters as my relatives at large through your willingness with endless support and full love toward me, I would have never achieved my current position as second model in lives.

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Words of mouth are not enough to express my level of gratitude to God for his grace, mercy and for being a great providence to my life during the course of my study in this school.

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Nevertheless, I would like to record my indebtedness to the school authority and my lecturers who guided my study at all capacities at the levels I have gone through, May God bless you.

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ABSTRACT

Vendor managed inventory is the system where vendor takes overall responsibilities of business on behalf of organization by; making daily deliveries of goods, managerial work, checking of stock and others. . In June 2009, the first Nakumatt store in Uganda opened on Yusuf Lule Road on Kololo Hill, in central Kampala, the capital city. In November 2010, Nakumatt expanded its footprint in Kampala by acquiring Payless Supermarket, a Ugandan supermarket chain with two stores in the Kampala suburbs of Bugoloobi and Bukoto, bringing the number of stores in Uganda to three. The initial investment in the store in Kololo was approximately US$3 million. The two Payless Supermarket stores cost an estimated US$650,000. Nakumatt plans to expand the new stores at a later date.

The objectives of the study were to; determine the relevancies of VMI, challenges and relationship between VMI and organization performance of Nakumatt super market in Kampala. The study shall use co- relational research design. Having a target population of 60 respondents and sample size of 56 respondents to be sampled by use of simple random technique.

The study found out that that there are various relevancies of vendor managed inventory on performance at Nakumatt supermarket which included requires administrative cost and reduce lost sales, Data entry errors are reduced, others were, Better services level to the end customer, Quick and easy replenishment of stock of goods, True partnership is formed between manufacture and distributors.

It found that following were recommendations of the study; regular evaluation of the stock requirements, attainment of more expertise in vendor inventory management, establish your recording and monitoring system on vendor managed inventory.

CHAPTER ONE

1.1. Background

Vendor managed inventory (VMI) , also known as continuous replenishment of supplier / vendor managed inventory, is one where vendor is responsible for replenishing stock on behalf of organization is most widely discussed partnering initiatives for encouraging collaboration and information sharing among trading partners (Angulo,2008) popularized in the late 1980's by Wal-Mart and proctor and Gamble ,it was subsequently implemented by many other leading companies from different industries, such as glaxusmith Kline, Electrolux, Italia nestle and Tesco Boeing and Acoa (Micheau, 2005). It is a supply chain initiative where the vendor decides on the appropriate inventory levels of each of the products and the appropriate inventory policies to maintain these levels.

In VMI, the retailer provides the vendor with access to the real time inventory level. In this partnership program, the retailer may set certain service level or shelf space requirements, which are then taken into consideration by the vendor. That is, in a VMI system, the retailer's influence shifts from managing inventory to simply renting space (Watson, 2007). VMI others a competitive advantage for retailers/super markets which embrace it because it result in higher product availability and service faced as well as lower inventory monitoring and ordering cost, for vendors, on the other hand, it results in reduced bull whip effect and better utilization of manufacturing capacity as well as better synchronization of replenishment planning (Walter, 2009).

VMI is a recent phenomenon in the retail supermarkets in Uganda having started in 2005 and stead vastly growing (Benson, 2011). The effectiveness of VMI in the retail supermarket has been registered in improved stock management, cash flows , risk management, and management of bull whip effects associated with unpredictable saving in demand . While VMI has been voted best by the retail supermarket managers, it has its shortcoming associated with trust, turnover of suppliers and small scale suppliers who lack financial capacity to implement VMI concepts

sustainably sometimes this interferes with customer satisfaction as some goods on VMI becomes one-offs due to the high turnover of suppliers because some new suppliers are yet to develop credibility in their respective area of supply (Benson, 2011).

In Uganda, the concept of vendor inventory management has not yet been widely embraced by many manufacturing and retail organizations and this has made many organizations to experience increased cost in the execution of inventory management functions (Mugo, 2008), VMI effectiveness as a system is affected by invention, how the quality of ICT and quality of information and sharing but is not affected by the quality of relationship. This indicates that relationship among VMI partners is developed on the basis that relationship among VMI partners is developed on the basis of implementing the system based on trust and reliability(Benson,2011),However , the quality of ICT is most important to facilitate sharing of information among the VMI partners in the supply chain (Fisher , 2007) VMI as system is suitable or large and medium size supermarkets which have well established network systems and the capability to effectively run the system very small suppliers may not afford to have a large ware house, for an effectiveness VMI. Secondly , a supermarket that is too small owing to its low buying power would lack capacity to support demand for the goods that VMI ware hosing requires (Benson , 2011).

1.2. Problem statement

At Nakumati, the company has entered into contract with various suppliers where they supply directly to the shelves .However; this has brought numerous challenges to the organizational ranging from stock run outs to overstocking. Current assets grew from UgShs $50 million in 2009/2010 to 900 million in 2010 /11 and UgShs1, 100 million in 2011/12. Over the receivership period inventor increased by 3% in 2010/11 despite the 21% growth in business compared to 2009/10 .Post receivership suppliers debt is in term and total current liabilities after reclassification from term loan on UgShs. 600 million stands at 1,850 million.

According to Nakumatt (2011) the company lost revenue worth Uganda Shs.200 million due to stock outs in its various outlets and incurred UgShs 19 billion in the Warehouse charges; this was as a result of various factors at play including investment in more stock that led to tying up the much limited and scarce working capital. It was evident that no known local study had been done on this phenomenon and it was against the influence of vendor managed inventory on organizational performance in retail outlets in Uganda with reference to Nakumatt supermarkets.

1.3. General objective of the study

To examine the relationship between vendor managed inventory and organization performance of the Nakumatt supermarket in Kampala Uganda.

1.4. Objectives of the study

i. To evaluate the relevancies of vendor managed inventory on organizational performance in Nakumatt supermarket in Kampala
ii. To determine the challenges that affectsvendor managed inventory in Nakumatt supermarket
iii. To assess the relationship between vendor managed inventory and organizational performance in Nakumatt supermarket in Kampala.

1.5. Research questions

i) What are the relevancies of vendor managed inventory on organization performance in Nakumatt supermarket?

ii) What are the challenges that hinders the operation of vendor managed inventory in Nakumatt supermarket?

iii) Examine the relationship between vendor managed inventory and organization performance in Nakumatt Supermarket?

1.6. Scope of the study

1.6.1. Content scope

The study focused on the relevancies of vendor managed inventory, challenges of vendor managed inventory and relationship between vendor managed and organization performance at Nakumatt supermarket.

1.6.2. Geographical scope

The study was conducted at Nakumatt supermarket found near garden city in Kampala Uganda.

1.6.3. Time scope

The study was conducted from October 2015 to January 2016. Time chosen was appropriate for providing are the necessary requirement for the study.

1.7. Significance of the study

The study shall help various retail outlets to realize the importance of vendor managed inventory tools towards organization performance.

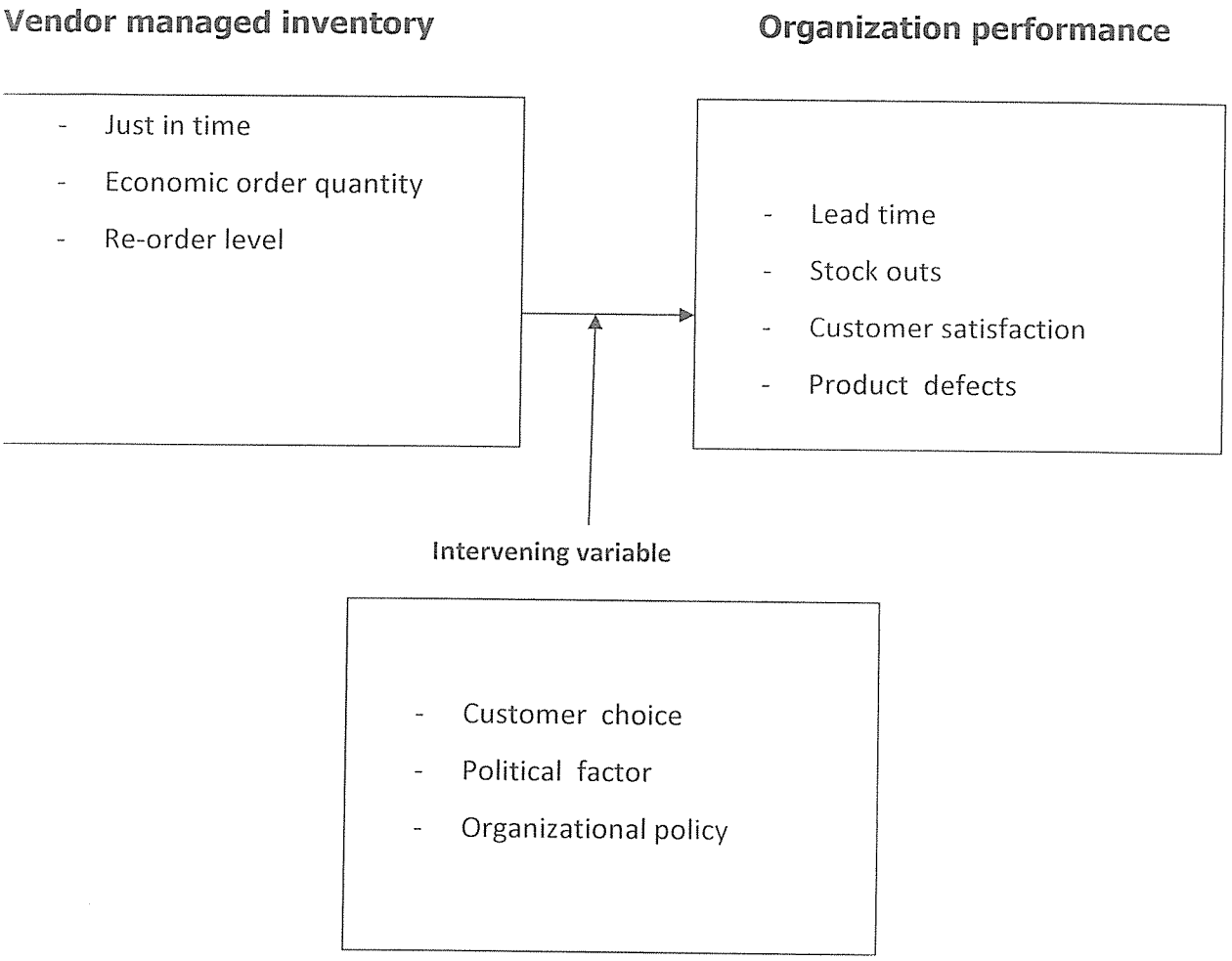
The study shall also help the policy makers of supermarket and other business enterprises to come up with better policies as regards to VMI

This study is also to help academician for study purpose and also improve organizational performance.

1.8. Conceptual frame work

conceptual frame work is a research tool intended to assist a researcher in developing an understanding of the situation under investigation. In this study, vendor managed inventory (VIM) is conceptualized as being dependent on the inventory flow, quality of ICT system information quality and sharing and buyer /supplier relationship quality.

Fig1. Conceptual frame work



Source: Researcher devised 2015

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter explains literature review what authors have talked about objectives of the study on vendor managed inventory and organization performance.

2.1 Definition of key terms

Vendor Managed Inventory (VMI) is a planning and management system in which vendor is fully responsible for the replenishment of inventory based on timely point of sale information to the buyers (retailer) place. This concept helps increases the customer responsiveness by reducing the supply and demand gap thus giving the satisfaction to end customer by increasing availability of the desired product when customer wants it.

Vendor managed inventory (VMI), also known as continuous replenishment or supplier-managed inventory, is one of the most widely discussed partnering initiatives for encouraging collaboration and information sharing among trading partners (Angulo, 2007). Popularized in the late 1980s by Wal-Mart and Procter & Gamble, it was subsequently implemented by many other leading companies from different industries, such as GlaxoSmithKline, Electrolux Italia Nestle and Tesco Boeing and Alcoa (Micheau, 2005). It is a supply chain initiative where the vendor decides on the appropriate inventory levels of each of the products and the appropriate inventory policies to maintain those levels.

Inventory: - is the amount of goods, materials or parts carried out in stock or store house for example, work in progress (W.I.P), raw materials, financial goods resale MRO items.

Inventory management according to Garry, J.Z, (1997) involves the planning, ordering and scheduling of the materials used in the manufacturing process. It exercises control over three types of inventories i.e. raw materials, work in progress, and finished goods. Purchasing is primary concerned with control over the raw materials inventory, which includes; raw materials or semi-processed materials, fabricated parts and MRO items (maintenance, repair and operations).

Inventory control: - refers to the process whereby the investment in materials and parts carried in stock is required within pre-determined unit set in accordance with inventory policy established by management.

A customer/ client, buyer or purchaser is the buyer or user of the paid products of an individual or organization, mostly called the supplier or seller. This is typically through purchasing or renting goods or services. It is also the person or group that is the direct beneficiary of a project or service.

The inventory planning and controlling is facilitated by applications that allow vendors access to their customer's inventory data. Another advantage to the customer is that inventory cost usually remains on the vendor's books until used by the customer, even if parts or materials are on the customer's site (Halldorsson, 2003).

2.2 The relevancy of vendor managed inventory on performance

Danese, (2007) found out that in US retail outlets the success of the extended VMI approach has depended on the adoption of a central information system allowing suppliers/manufacturing plants to decide how much and when to deliver taking into account all the necessary information concerning different supply network members. Such a system supports the production planning and order cycle processes within the supply network on two levels, the first based on the sales forecasts of the distribution centers including a horizon of 18 months; and the second based on the suppliers/manufacturing plants decisions concerning the order

The first level is not different from the functioning of a traditional integrated production planning DRP-MRP system. The system operates automatically: it collects data concerning the different supply network members, on the basis of which it elaborates purchase, production and delivery proposals for a period of 18 months for each manufacturing plant or distribution centre (Kazim, 2007).

Scott (2007) found out most retail outlets managers in China tend to consider VMI as an approach for managing materials and information flows between one or more customers and their immediate suppliers. On the other hand, Eisenhardt (2009) concurred that fierce competition in today's global markets has forced business enterprises to invest in, and focus attention on, their supply networks in a much broader sense. Zhang (2004) noted that Chinese and Japanese companies employs just in time technique to strengthen relationship between supply chain network participants and thus business relationships in various Chinese firms extends beyond enterprise boundaries and seeks to organize entire business processes throughout a value chain of multiple organizational.

Holmstrom (2007) noted that the –implementation. Limited to supplier-customer of the "dyads –leads to wasting significant opportunities that could instead be exploited by managing the supply network as a whole rather than as a series of dyads. In fact when optimization is local, each supplier-customer dyad optimizes its processes without taking the impact on the other supply network members into account. As a consequence, the implementation of the traditional VMI allows only a partial optimization of the supply network, as it usually only involves supplier-customer dyads. A survey by marketing research international (2009) revealed that effective integration of information communication technology with inventory functions using inventory management systems such as Electronic Data Interchange and Material Requirement Planning Systems could play a major influence in supporting effective implementation of VIM practice in many retail outlets. Economic order quantity is the optimum size of the order that minimizes the cost of ordering and holding cost. Concern has been raised that

Nakumatt supermarket management lacked to apply the EOQ as the inventory systems used failed to minimize the cost of ordering and holding stock (Brian, 2008).

Nelson (2009) noted that poor supplier management created problems in monitoring and selecting competent suppliers and this led to delay in delivery, which created stock out costs. The supermarket employees lacked enough skills and this created a problem of in competency. The existing storage facilities were not adequate and this created more problems in ordering large quantities and distributing of inventory to supermarket branches around the country.

2.3 Challenges that affects operation of vendor managed inventory

Lambert et al (2001), mentions a number of challenges in inventory management which include: unqualified employees in charge of inventory, using a measure of performance for their business that is too narrow, a flawed or unrealistic business plan for a business for the future and not identifying shortages ahead of time. Having people in charge of inventory without adequate training, experience or who neglects the job will lead to inventory problems that will result into poor organizational performance. The use of a measure of performance for business that is too narrow. This is a situation where the performance measure are not wide enough and do not encompass all the aspects of the organization. Many areas get overlooked and can lead to either inventory shortages or inventory stockpiling.

A flawed or unrealistic business plans leads to failure in predicting how well a company may do in the future. This affects inventory management because if a company predicts more growth than they actually experience, it can lead to an overstock of inventory. The opposite is true if forecasters do not predict enough growth and are left with not enough inventories. Failure to identify shortages a head leads to lack of enough products in stock to meet customer demands which spoil customer relations. The staff in charge of inventory management should look over their inventory on a regular basis to make sure enough products are in stock.

According to Braglia (2004) and Montanari (2004) are bottlenecks and weak points in delivery which slows down deliveries and systems; "bullwhip effect" an over-reaction by an organization to changes in the market that leads to un necessary over overstocking; distressed stock in inventory; excessive inventory in stock and unable to move it quickly enough; inaccurate computer assessment of inventory items for sale and complicated computer inventory systems.

The above challenges lead to over stocking, under stocking and Inventory costs which reduces the working capital required. Holding stock is an expensive business; it estimated that the cost of holding stock each year is 1/3 of its production or purchasing (Johnson, 1998). The cost include: interest on capital invested in stock, storage space - rent, lighting, heating, refrigeration and air conditioning, Insurance and security, deterioration and obsolescence, loss of future sales and labour frustrations over stoppages (Granville, 2007).

In the United States, some of the largest concerns of small business owners are insurance costs (such as liability and health), rising energy costs and taxes. In the United Kingdom and Australia, small business owners tend to be more concerned with excessive governmental red tape. Another problem for many small businesses is termed the 'Entrepreneurial Myth' or E-Myth. The mythic assumption is that an expert in a given technical field will also be expert at running that kind of business (Ronald, 1997).

According to Kabuye-Kagimu, (1994), small businesses often face a variety of problems related to their size. A frequent cause of bankruptcy is undercapitalization. This is often a result of poor planning rather than economic conditions - it is common rule of thumb that the entrepreneur should have access to a sum of money at least equal to the projected revenue for the first year of business in addition to his anticipated expenses. In addition to ensuring that the business has enough capital, the small business owner must also be mindful of contribution margin (sales minus variable costs). To break even, the business must be able to reach a level of sales where the contribution margin equals fixed costs (Mayanja, 1992).

However Kizito-Mayanja, (1994) argued that finding new customers is the major challenge for Small business owners. Small businesses typically find themselves strapped for time but in order to create a continual stream of new business, they must work on marketing their business every day. Common marketing techniques for small business include networking, word of mouth, customer referrals, yellow pages directories, television, radio, outdoor (roadside billboards), print, email marketing, and internet. Electronic media like TV can be quite expensive and is normally intended to create awareness of a product or service. Example, if the prospective owner thinks that he will generate $100,000 in revenues in the first year with $150,000 in start-up expenses, then he should have no less than $250,000 available. Failure to provide this level of funding for the company could leave the owner liable for all of the company's debt should he end up in bankruptcy court, under the theory of undercapitalization (Kayumbu, 1994).

Lucay (1994) observes that excessive levels of stock are undesirable because they increase the risks of inventory becoming obsolete, stock loss through damage and theft, increased storage costs like rent, insurance and unnecessary tie up of the firm's funds. He further state that a firm would be foregoing profits when it continues maintaining excessive levels of inventory, which implies that the probability position of the firm is being threatened in the long run since funds are not being invested in other profitable ventures.

Gupta (1994) observes that organizations should establish proper inventory control procedures, efficient and effective information system regarding stock so that they are able to balance the costs and risks of inventory control against the benefits got from having inventory readily available for smooth operations.

Lower levels of inventory are also undesirable because it interrupts production, loss of good will and high ordering costs especially when ordering is frequent. Inadequate inventory levels leads to business closure due to shifting of customers to other efficient suppliers as a result of production/ operation interruptions (Gittinger 1995).

According to Kenneth and Brian (2006) said that there are four aims of inventory management which include the following; Provide both internal and external customers with the required services levels in terms of quantity and order rate fill; Ascertain present and future requirements for all types of inventory to avoid over-stocking while avoiding "bottlenecks" in production; Keep costs to a minimum by variety reduction, economical lot sizes and analysis of costs incurred in obtaining and carrying inventories and to provide upstream and downstream inventory visibility in the supply chain.

Transport costs: This is the most important costs that every company must incur, because it is very essential as far as proper inventory management is concerned. This is due to poor roads and high prices of fuel. The most common modes of transport used by most manufacturing firms especially coca cola are road transport, railway, transport among others. Allowing different inventory flow assumptions means that two businesses with identical operating results can report dramatically different amounts of profit. To avoid this possibility, GAAP would have to require that all firms use the same inventory flow assumptions. As desirable as it might be for GAAP to reduce the number of acceptable, but widely divergent inventory flow assumptions, this is not likely to happen any time soon. This means that financial statement users must be aware of the effect of these flow assumptions in comparing one firm's performance to another. (Masiko Hirary, 2005).

This relates to the literature review Singhal (2008) who contended that three factors have strongly impacted change in the importance of information technology in SCM. First, satisfying in fact pleasing customer has become something of a corporate obsession. Serving the customer in the best, most efficient and effective manner has become critical. Second information is a crucial factor in the managers' abilities to reduce inventory and human resource requirement to a competitive level. Information flow plays a crucial influence in strategic

Susan cohen kulp (2002) studied the impact of internal information (sales and inventory) accuracy and its reliability on supply chain profits in vendor managed

inventory. Theoretical models of two system traditional and VMI are analyzed which indicates that the accurate information helps manufacturer to forecast the consumer demand accurately which increases manufacturer and retailer over all profits. Hypothesis was tested through survey of 53 divisions of manufacturers in the F&CPG industry. Result shows that use of VMI increases with the detail and reliability of retailer's internal information and wholesale prices are lowered with the extent of VMI use. It is suggested that VMI will lead to higher supply chain profits if retailer and manufacturer both are willing to share accurate information and use this information in taking inventory management decisions.

George kuk (2004) investigated the determinants and outcomes of VMI in electronic industry through survey of 94 employees of 25 companies who fully implemented VMI. Four hypotheses were created having 3 independent variables: organization size, number of employees involved in VMI and type of logistic integration, 3 dependent variables: information quality enhancement, service quality improvement and cost reduction. Through ANOVA testing it is analyzed that large level of employee involvement, small size of organization and integrated logistics achieves more benefits of VMI. It is suggested that implementing VMI is not solo effort it can be beneficial if company wide effort is involved.

Pamela danese (2006) identified the way to use extended vendor managed inventory (VMI) both upstream and downstream amongst various supply chain partners to organize the information and material flows. Case study analysis approach is used taking supply chain network of leading pharmaceutical company GlaxoSmithKline (GSK). Through collected data it is shown that Information flows among the supply network members, information systems and performance monitoring system are some of the requisite of extended VMI. In GSK Information flow is achieved by EDI system which enhanced the service level, production capacity, and the inventory management. Central information system helps in production planning and order cycle processes in upstream and downstream supply network. Performance monitoring system motivates

and improves the performance and allows supply chain members to overcome their reluctances to share information. It is suggested that collaborative planning, forecasting and replenishment (CPFR) should be taken into consider future research on extended VMI.

No previous studies have ever offered to measure the implementation of VMI in FMCG sector of Pakistan. This paper is an effort to resolve that gap existed in previous literature. Implementation of VMI in FMCG sector of Pakistan is a major challenge for the FMCG companies and the retailers both. Maintaining of high quality error-free service in the dynamic and uncertain environment of Pakistan with lack of ICT infrastructure (information and communication technology) is a huge pressure. Due to heterogeneous customer base complete VMI implementation in this scenario is not possible so FMCG companies need to carry out its operation in both the way i.e. for the both VMI and non VMI customers. For flexible and fast communication between FMCG producers and retail chains proper ICT infrastructure is mandatory. So companies need to invest web-based information transfer systems like EDI (electronic data interchange). Adoption of VMI is not an easy task for companies as it requires heavy investment and commitment of retailers that how much they are willing to share POS information. Before full and final implementation of VMI companies must need to find out the necessary factors as the clear and fault free implementation will have a great influence on future business performance outcomes.

Astrid Vigtil (2007) investigated the required information exchange in VMI with the support of five buyer-supplier pair in Norwegian geographic. Semi-structured detailed interviews were conducted with the representative of different companies having logistic managerial position or similar. It was concluded through interviews that flow of upstream data is more critical rather than downs-stream data. Visibility of current inventory status and sales forecast are most important factor for suppliers and there is different kind of information needed depends upon operational mode of buyer in make to stock and make to order. In future it is implicated that for the higher efficiency of

VMI electronic integration and automatic data transfer should be priorities as it supports supplier in planning of replenishment.

Marloes J. T. Claassen et al (2008) studied the perspective of buyer in term of benefit gained through VMI. Research model was formulated having four key variables; quality of ICT system, quality of information, intensity of information sharing and relationship quality. Sample of 64 Dutch buyer responded through email and model was tested through Partial Least Square (PLS) technique. It was resulted that the quality of the buyer-supplier relation, quality of IT-system and intensity of service level has an impact on buyer-perceived VMI benefits and it is not impacted by actual quality of the information shared. Furthermore three outcomes of VMI performance are higher customer service level, efficient control over supply chain and cost reduction to some extent. It is proposed that the primary benefit of VMI implementation is not cost reduction; it is high customer service level and supply chain control which can be obtained through better relationship with supplier and efficient IT infrastructure.

Peter Southard and Scott Swensethy (2008) investigated the cost advantage gain from technology enabled vendor managed inventory. Actual data was taken from two Agricultural cooperative's farm fuel delivery systems of Nebraska due to its variable demand patterns and competitive environment. Inventory costs, delivery costs and stock outs were measured as performance outcome. It was resulted that technology enabled vendor managed inventory reduced costs and improved customer service levels. It is suggested that use of technology enabled vendor managed inventory can deals with many logistics problems.

2.4 Relationship between vendor managed inventory and organization performance.

Jan Holmstrom (1998) studied a single case study to analyze the benefits of implementation of SAP R/3 in VMI between vendor and its wholesaler. It is found that administrative cost for vendor product is reduced with reduced delivery cost which in turn gives benefit to end customer through low prices. It is also found that demand variability, inventory level and order per delivery lead time also greatly reduces which give competitive advantage to both vendor and whole seller. It is suggested that full benefit can be attained if vendor extends its number of customers.

This relates to the literature review (Hines,2007) who found out that in retail industry, supermarkets that fails to embrace VIM suffers from high cost of inventory overheads that results to increased cost of sales and declined profit margin.

Sila cetinkaya et al (2000) studied the inventory replenishment and shipment decision in VMI through analytical model. Manufacturer with random demand patterns and retailers dispersed in different geographical areas are taken into account. Manufacturer has the freedom of holding small sized orders and dispatches it until the consolidation volume gathers. It is found that inventory costs are reduced if the inventory and shipments decision optimally coordinated.

Terrance et al (2003) identified the distinction between supplier managed inventory (SMI) vendor managed inventories (VMI) through theoretical framework. Economic value analysis (EVA) is used to determine the non-financial benefits and burdens of VMI and SMI implementation and effect of VMI and SMI on enhancement of shareholder value.it is suggested that EVA analysis will help manager to identify the opportunities to increase the shareholder value across both firms.

S.M. Disney et al (2003) studied the effect of VMI strategies on transport operation and order batching activities. Three different scenarios traditional, internal consolidation and

VMI are modeled through system dynamics methodology and tested through simulation. It was found that VMI supply chain has improved dynamic response which causes reduction in manufacturing on cost and transportation demand. Transportation cost saving in VMI is possible for long term and short term and this saving is not effected by escapable and inescapable cost. This paper may help in developing the policy regarding VMI and supply chain (distribution, production scheduling etc.).

S.M. Disney et al (2003) investigated the comparison between VMI and traditional seriously linked supply chain in producing bullwhip effect. Different equations are developed and simulation model testing was applied. Four variables as a source of bullwhip; price variations, rationing and gaming, demand signal processing, and order batching, were tested in traditional and VMI supply chain scenarios. It was found that through VMI supply chain all the variables can be avoided through well designed system. Demand signal processing and order batching can only be eliminated through inventory holding in traditional supply chain. For future it is suggested that VMI would be of greater benefit if the supplier uses inventory and sales information in making production and inventory management decision process.

Johanna et al (2003) studied the greater demand visibility impacts on manufacturer production and inventory management and how it modifies the operational efficiency. Discrete event simulation is chosen as approach to study manufacturer of FMCG serving three distributors which serve several retail outlets. From result it is shown that greater demand visibility has positive impact on operational efficiency which greatly depends on product with shorter production planning cycle and low replenishment frequency. This research was limited to products with stable demand so it is suggested to do more research on products with variable demand.

Jonah tyan and hui-ming wee (2003) studied the retailer and manufacturer partnership in the implementation of vendor managed inventory (VMI) system in the Taiwanese grocery industry. Case study analysis between P&G a manufacturer of FMCG and Welcome supermarket chains stores was selected. It was found that through VMI

supply chain inventory level of retailer declined and service level of manufacturer distribution center improved. It is suggested that VMI would be effective to shorten the process of replenishment and give competiveness and opportunity to grow to both supply chain partners. Integration of online e grocery in VMI business model will be increasing its benefits.

Brendra k et al (2004) investigated how the substitution brand competition gives benefit to retailer in VMI. Two level supply chain is taking having one retailer and 2 manufacturer of competing substitutable brand and through analysis of mathematical model it is found that VMI gives benefits to retailer as compare to non VMI as due to increase competition manufacturer stock more to reduce risk of stock out which in turn reduces retailer holding and shortage cost and increases its profit. For future research it is suggested to include inter retailer intra brand substitution competition.

Yuliang Yao et al (2007) explored how supply chain parameters affect the cost saving in VMI and sharing of this benefit between buyer and supplier. Two level supply chain having single supplier and single buyer modeled. Through analysis of model it is found that inventory cost reduction greatly depend on ratio of order cost of supplier to buyer and ratio of carrying cost of supplier to buyer. Buyer takes all the benefits of inventory reduction whereas supplier inventory level may increase which may lead to high logistic cost to supplier side. So it's suggested to have side payment arrangement between buyer and supplier to get VMI worked in long run.

Malla et al (2007) investigated the impact of VMI model on organizations inventory associated cost. Case study of market leader of tire manufacturer has taken which has which has largest distribution network across India, USA and UK. Through simulation of model it is found that integration of information technology provide a clear picture of inventory holding locations which helps supplier in planning and replenishment of inventory across supply chain, which reduces bullwhip effect, safety stock and W.I.P and improves customer service. Some of the limitations of this model are high initial investment cost and lack of integration of systems.

Kim et al (2006) explored the major factors for success of vendor managed inventory (VMI) in oligopolistic New Zealand food industries. A thorough investigation of case studies and literature review concerning from other industries and countries revealed seven industry-level factors unified into a step-wise framework essential for successful VMI and strategic supply chain relationships. These factors are: identifying industry structure; evaluate rivalry within industry, determination of buyer's power, industry profitability, improved long-term relationships, investment in supply chain technology and adoption of supply chain best practices. It is suggested that these framework will help to supply chain partners who wish to increase profitability through VMI but these conclusions are needed to be revised before applying to other less concentrated industries.

Kazim Sari (2007) examined the benefits of VMI in achieving the increased performance through different levels of outside supply capacity, demand uncertainty, and lead time. Data were collected through simulation model; Crystal Ball, an MS Excel add-in. After retrieving data statistical test MANOVA is applied and it was concluded that high uncertainty in customer's demand has negative influence on the VMI performance. There is also a direct relationship between the manufacturing capacity of outside supplier and performance of VMI. As long as the ratio between retailer and supplier lead times remains constant the performance level of VMI remain unchanged. For future implication it is recommended that before taking any decision relating VMI implementation it is necessary to conduct cost-benefit analysis if upstream information sharing is poor or customer demand is highly uncertain.

Mikael Stahl Elvander et al (2007) proposed the structure for the numerous setups that could be arranged while establishing a VMI system. Semi-structured interviews were conducted from 15 company of Switzerland. Six framework were prepared and tested against the focus group consisted of representative of nine different companies including suppliers and customers who already had implemented VMI, in workshop. Through workshop it was deduce that there are a number of different ways in which

VMI system can be configured, that will limit a supplier's likelihood to employ the information made accessible through VMI. It is suggested that the challenges related to operation and management may differ in different VMI system configuration. This should be taken into consideration in order to find best optimal VMI system configuration.

Atul B. Borade & Satish V. Bansod (2008) studied motives, drivers, obstacles and benefits of VMI practices in e-environment. Key variables were compared between small and large Indian industry questionnaires were filled by 112 large companies and 86 small companies and hypothesis was tested through independent sample t-test. It was resulted that motives, drivers, obstacles and benefits are considerably different for small and large enterprises while adopting VMI. It was found that the major objective for SMEs is profit improvement and for large companies is improved customer service. Driver for SMEs is competition and for large companies it is global supply chain. Obstacle in implementing VMI for SMEs is lack of IT infrastructure and for large companies is lack of trust between supply chain partners. Objective for SMEs is profit improvement and for large companies is improved customer service. Benefits gain for SMEs is better forecasting and for large companies is improved logistics and distribution management. It is suggested that IT can gives companies advantages to maximize end consumer value and reduce operating expense as it gives the real time information of marketing conditions.

Guillaume Marques et al (2008) examined the integrated view of the VMI. Outside the short term pull system inventory replenishment, partners have to share their demand forecast, requirements and their limitations to fix middle/long term common objectives. In order to conduct the study 28 articles were review and it was concluded that there was no doubt about the real application of VMI in industry. What clearly is VMI and how can it be correctly implement in supply chain is not clear. It cannot be justify whether VMI is a model, a process, a strategy, a relationship, a link.

Juhwen et al (2008) studied the supplier performance enhancement in term of total relevant cost/unit. Three different models were proposed for single supplier with heterogeneous retailers, one is uncooperative model with independent inventory management system, second model was VMI model in which supplier is responsible for inventory replenishment order cost and certain degree of holding cost and third model was VMI/CRE model, in which VMI is combined with CRE (common replenishment epochs) strategy. Data will be analyzed through Algorithm and numerical experimental design and it was concluded that VMI and VMI/CRE results are significant for supplier performance as compared with uncooperative model. For the future implication it is suggested that the supplier are required to provide incentives such as price discounts to compensate the losses which are bear by retailers so that aligning ordering schedules with CRE.

Jouni Kauremaa et al (2009) found out the types of benefits of VMI program and its sharing at the five levels (supplier vs. buyer). An exploratory multiple case study research methodology was used. Quantitative and qualitative data were collected through semi-structured interview from five operational levels. It is concluded that for buyer and supplier, VMI can lead to strategic and operational benefit both which is depending on pair intentions and contextual factors surrounding the given application. It is suggested that with the help of contextual factors VMI system can be designed with more accurate and perfect implementation targets.

Kari Tanskanen et al (2009) investigated the challenges faced by the construction industry at corporate level to manage logistics and to evaluate VMI as a solution of logistics for small items. Three residential house construction companies were elected located in Helsinki, quantitative and qualitative data were collected through web cameras' observations and interviews. Percentage analysis was applied on quantitative data and on the bases of outcomes it was concluded that VMI is a suitable solution for small item logistics for the construction companies. For future it is implicated to work on other industries located in different geographical location.

Jongkyung Park et al (2009) investigated a framework for integrative SRM (supplier relationship management) system by exploring broad approaches to overall SRM functions. Frame work includes five stages: Setting up of purchasing strategies, Selection of a supplier, Cooperation, supplier valuation and enhancement and endowment of continuous improvement. For this past studies related to SRM were examined and a framework for an integrative SRM system was recommended through which a case study was performed constructed on the systematic hierarchy procedure with a field survey. Results shows that the benefits of SRM can be obtained through the suggested framework and it is applicable to real fields through application case. It is recommended that this framework will help purchasing manager to analyze strategic features of SRM before and during the SRM system operation.

Francesco Zammori et al (2009) identified the standard configuration of a vendor managed inventory (VMI) contract which will be a building block for the initial explanation of the agreement. For this study an Italian plant was selected as an ideal candidate because of complexity of its manufacturing process and the data in the form of the information flow and the technical specifics which are critical before any operational setup are recognized and discussed and formed as parameters for the explanation of the elementary frame of the agreement. It is revealed that VMI agreement should be organized into segments by having generic and legal sides and official aspects included in the annexes. This will increases the flexibility of agreement As VMI relationship progresses with the time. It is proposed that this flexible structure of VMI agreement can be easily implemented by several industrial fields.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter discussed the methodology that was used to study on the Vendor management inventory and organization performance. It highlights how data was collected and analyses. This chapter also describes in detail the overall research design adopted by the study, population of the study, sample size and sample selection strategy, data collection methods, data collection instruments, data processing and analysis, validity and reliability, ethical consideration and limitations of the study.

3.1 Research design

The study used correlation research design. This approach was set to establish a clear and objective orientation, a vigorous, disciplined and systematic procedure, and a reality bound methodology, which allows arriving at a reality, that should be distinguished from social philosophy, and every day assumptions (stergios 1991, Vlahos,19840).

3.2 Study population

In the study, the target population was 60 both employees of Nakumati supermarket, suppliers of the super markets in Kampala garden city. The employees 25, vendors 35. The researcher studied those classes of people to minimize on the time and costs the researcher incurred during the study when studying the whole population and to add on that, the researcher believes that the target population had more and valid information about the selected Nakumati super markets in Kampala that assisted the researcher in his research, and not make the research biased to both the respondents and the researchers.

3.3 Sample size

The sample size was` demonstrative of the target population (Kunene, 2008) in order to be suitable. The minimum sample size was computed using the Solvens formula, which states that for any given population the required sample is given by;

$$n = \frac{N}{1 + N(e2)}$$

Where; n = the required sample size, N = the know target population, e = the level of significance, which is 0.05, given the total population which is 60 respondents from the Nakumati super markets in Kampala garden city, a sample size of respondents was got and it is indicated in the table1.

Table 1: Allocation of sample size respondents from selected.

Supermarkets	**Population**	**Sample size**
Procurement	02	02
Attendants	10	10
Cashiers	10	10
Administration	03	03
Customers	35	31
TOTAL	**60**	**56**

Source: Kraljic (1970)

Sampling procedures

The researcher used simple random sampling depending on the resources available, because large samples need to weigh against the costs in terms of money and time available. The target population of 60 respondents being large hence the sample size of 56 respondents had the required information about the study. The researcher divided the sample unit using convenience sampling. In this method, the researcher selected a sample unit of the respondents which appeared more convenient to him.

3.4 Data collection instrument

Questionnaires; was used to collect required information by use of useful questions being designed for the purpose of study for respondent to fill the information, they are used mainly to collect primary data from respondents in the field. According to Sarandakos (1993).

3.5 Data collection procedures

The researcher used both secondary and primary data collection approaches. Secondary data was got through revising text books, manuals, periodicals, dissertations, journals, periodicals and interest sources about the study. After the proposal is approved, a final copy was submitted to the department of human resource and supply chain and an official introductory letter to the management of the different offices of Nakumati supermarkets was secured. The letter contained the measures for selecting the respondents, after which the researcher pre-tested the instrument. The researcher used a table to determine the actual number of participants, after which a questionnaire was administered. The researcher revised the questionnaire consistently, distribute, follow up and collection of filled up questionnaires. The respondents were requested to sign the informed consent, answer all questions and avoid biases and to objective in answering the questions. Furthermore, the researcher edited and entered them into a statistical package for social scientist (SPSS) for further processing and analysis. Thereafter, a report was prepared.

3.5 Data processing and analysis

Data on answered questionnaire was edited, categorized and entered into the computer statistical package for social scientists (SPSS) to summarize them, .using simple and complex frequency tables. The same package was used to further analyze data by computing means and standard deviations to measure the level of vendor managed inventory and organization performance. Item analysis shows the strengths and weaknesses in terms of store design and customer satisfaction. The above numerical values were used in the interpretation of means. Organization performance correlated

with reduced lead time, customer satisfaction achieve cost advantage using T-test, one way analysis of variance (ANOVA) and Pearson's correlation coefficient. The 0.05 level of significance was used to establish whether, the computed statistics such as T-, the r- and F- statistics are statistically significant so as to take decision basing on the null hypotheses.

3.6 Validity and reliability

The researcher tested the validity and reliability on the vendor inventory management questionnaire were non-standardized, content validity was achieved by making sure that items on the study conformed to study's conceptualization, supervisors and other staff at KIU who are experts in the field of study helped to evaluate the relevance, wording and clarity of questions or items in the instrument. Pre-testing was done by administering the questionnaire to respondents in the actual study.

3.7 Ethical considerations

The researcher was guaranteed that the study justifies moral considerations of research by safeguarding discretion of respondents and the data they deliver. All respondents were required to sign the informed consent, authors quoted were recognized through citations and references and no respondent were threaten or forced to participate.

3.8 Limitations of the study

The stated number of customers may not return questionnaires due to circumstances beyond the researcher's control hence the researcher was given out more questionnaires than required to reduce the effect of questionnaires not being returned. Since data is being collected from different respondents at different time, there was testing threats due to differences in conditions and time. Furthermore, there are other conditions where the researcher had no control over such as honesty and customers' biases hence the researcher claimed an acceptable (0.05 level of significance), 5% error consideration. High costs involved in data collection process costs like, transport and maintenance cost.

CHAPTER FOUR

PRESENTATION, INTERPRETATION AND ANALYSIS OF FINDINGS

4.0 Introduction

This chapter comprises of the findings that were gathered by the researcher from the employees of Nakumati and clients of supermarket on "impact of vendor managed inventory on organization performance in Nakumati supermarket". Presentation and interpretation of data in this chapter has been done with the aid of quantitative and qualitative methods for example the use of tables and personal analysis and interpretation presented in essay form. Questionnaires were provided to 56 respondents who filled them to the best of their knowledge.

4.1 Respondents Background of respondents

4.1.1 Gender of respondents

Table 1: Showing Gender of respondents

Respondents	Frequency	Percentage
Male	32	57
Female	24	43
Total	**40**	**100**

Source: Primary data, 2015

Results in table 1 above indicate that the majority of respondents are male that is 32 respondents representing 57% of the total respondents and 24 respondents are female representing 43% of the respondents. The results imply that gender was taken care off in data collection a further implication that the researcher collected information concerning the different genders.

4.1.2 Age distribution of respondents

Table 2: Showing age distribution of respondents

Respondents	Frequency	Percentage
20 – 29	12	21
30 – 39	30	54
40 – 49	10	20
50+	4	05
Total	**56**	**100**

Source: Primary data, 2015

From the figure above, it can be seen that the majority of the respondents are aged between 30-39 years representing 54%, followed by 20 -29 years representing 21% ,40 -49 represented by 20%and above 50+ represented by 5%. From the above analysis, it can be construed that the majority of the staff from Nakumati supermarket are mature and therefore they have an active memory hence the information obtained from them can be trusted and looked at as true and good representation of the information required by the researcher.

4.1.3 Education level of respondent

Table 3: Showing academic qualifications of the respondents

Academic qualifications	Frequency	Percentage
Primary	3	5.0
Secondary	8	14
Certificate	11	20
Diploma	19	34
Degree	15	27
Total	**56**	**100**

Source: Primary data, 2015

Results in table 3 above indicate that the majority of the staff and clients of Nakumati supermarket contacted are diplomas holders representing 34% of the respondents followed by degree holders at 27%, followed by certificate holders with 20, secondary had 14% and primary was recorded with 5%. This implies that the staffs at Nakumati supermarket are well educated, therefore information attained from them can be relied upon for decision making.

4.1.4 Professional qualification

Table 4: Showing professional qualifications of the respondents

Professional Qualifications	Frequency	Percentage
CIPS	5	09
CPA	6	10
ACCA	10	18
CILT	2	04
No professional course	33	59
Total	**56**	**100**

Source: Primary data, 2015

Results in table 4 indicate that majority of the respondents are having no professional qualifications 59%, 18% were recorded for ACCA, 10% for CPA, 15% and CILT 04%. These indicate that majority had no professional qualifications despite a few who had.

4.1.5 Level of experiences

Table 5: Showing level experience of the respondents

Working experience	Frequency	Percentage
1 -4 years	10	18
5 – 9 years	15	27
10 – 14 years	23	41
15 above	8	14
Total	**56**	**100**

Source: Primary data, 2015

The findings reveal that 41% of the respondents had worked for 10-14years, 27% had been there for 5-9 years, 14% worked for 15+ years and 1-4years had 18%. The responses indicate most respondents had worked for long, they therefore understand vendor management inventory.

4.2 Relevancies of vendor managed inventory on organization performance.

The first objective of the study was to determine relevancies of vendor managed inventory on organizational performance of Nakumati supermarket. The findings on this objective were collected based on the required aspects of the study as presented below.

Table 6: Showing the response on the relevancies of vendor managed inventory on organizational performance in Nakumati supermarket.

Relevancies of VMI	Strongly Agree (%)	Agree (%)	Not Sure (%)	Disagree (%)	Strongly Disagree (%)	Total (%)
Requires administrative cost and reduce lost sales	50	12.5	17.5	5	15	100
Data entry errors are reduced	45	12.5	10	17.5	5	100
Better services level to the end customer	40	15	7.5	20	7.5	100
Quick and easy replenishment of stock of goods	37.5	12.5	15	10	25	100
True partnership is formed between manufacture and distributors	75	10	5	5	5	100

Source: primary Data (2015)

Results in Table (6) present findings on the responses about the vendor managed inventory used in Nakumati supermarket, 50% of the respondents who strongly agreed, 12.5% agreed 7.5% were not sure, 5% disagreed and 15% strongly disagreed that reduce administrative cost and reduce lost sales.

Data entry errors are reduced had 45% of the respondents who strongly agreed, 12.5% agreed, 10% were not sure 17.5% disagreed and 5% strongly disagreed.

Better services levels to end customers had 40% of the respondents who strongly agreed, 15% agreed, 7.5% disagreed 20% were not sure and 7.5% strongly disagreed

35% of the respondents who strongly agreed 12.5% agreed, 15% were no sure 10% disagreed and 25% strongly disagreed with quick and easy replenishment of stock of goods.

True partnership is formed between manufacture and distributors had 75% of the respondents who strongly agreed, 10% agreed, 5% were not sure, 5%disagreed and 5% strongly disagreed.

4.3 Challenges that are faced by vendor managed inventory.

The second objective of the study was to determine the challenges that vendor managed inventory faced in its implementation.

Table 7: Showing response on the challenges of vendor managed inventory on organization performance in Nakumati supermarket.

Challenges	Strongly Agree (%)	Agree (%)	Not Sure (%)	Disagree (%)	Strongly Disagree (%)	Total (%)
VMI is dependent on big business	40	30	5	25	5	100
Requires all stake holders to agree and support process	50	25	5	12.5	7.5	100
Trust cannot be achieved overnight	35	45	5	10	5	100
Requires vendors to make more deliveries of goods	50	30	5	5	10	100
VMI is often reliant on process and technology	35	30	12.5	2.5	25	100

Source: Primary Data (2015)

Results in table (7) present the response of respondents on challenges of vendor managed inventory on organization performance in Nakumati supermarket. VMI is dependent on big business involved 40% of the respondents who strongly agreed, 30% agreed, 5% the respondents were not sure and strongly disagreed, and 25% respondents disagreed.

50% of the respondents strongly agreed in requires all stake holders to agree and support process, 25% agreed, 5% were not sure, 7.5% of the respondents strongly disagreed and 2.5% disagreed.

Trust cannot be achieved overnight 'had 35% of the respondents who strongly agreed, 45% agreed, 10% of the respondents disagreed, 5% of the respondents were not sure and 5% strongly disagreed.

50% of the respondents strongly agreed with Requires vendors to make more deliveries of goods 30% agreed, 5% disagreed and 5% of the respondents were not sure not sure and 10% of respondents

VMI is often reliant on process and technology by 35% respondents who strongly agreed, 30% agreed, 12.5% were not sure, 2.5 respondents disagreed and 25% strongly disagreed.

To sum it up, as regards challenges faced by Nakumatt supermarket in implementation of VMI, depend on big business was most identified by 80% of respondents followed by, requires all stake holders to agree and support process with 75%,trust cannot be achieved overnight, requires vendors to make more deliveries of goods with 70% and VMI is often reliant on process and technology with 65% of respondents respectively.

4.4 Relationship between vendor managed inventory and organization performance of Nakumatt supermarket.

Table 8: showing the response on relationship between vendor managed inventory and organization performance in Nakumatt supermarket.

Relationship between VMI and organization performance	Strongly Agree (%)	Agree (%)	Not Sure (%)	Disagree (%)	Strongly Disagree (%)	Total (%)
Lowers operation cost on VMI	55	25	7.5	0	12.5	100
Speeds up the process via electronic ordering	50	27.5	7.5	2.5	12.5	100
Timely delivery of goods	40	32.5	10	15	25	100
Customers issues are dealt with on individual basis	37.5	35	12.5	10	0	100
Customers 'requests and complaints are responded to as soon as fast	50	27.5	12.5	10	0	100
Achieve cost advantage over competitors by use of electronic purchasing	25	45	5	10	15	100

Source: Primary Data, 2015

The findings on the relationship between vendors managed inventory and organization performance in Nakumatt supermarket. It was established that lowers operation cost on

VMI had 55% of the respondents who strongly agreed, 25% agreed, 7.5% were not sure, and none disagreed while 12.5% strongly disagreed.

50 % of the respondents strongly agreed with speeds up the process via electronic system, 27.5% agreed 7.5% were not sure, 12.5% strongly disagreed and 2.5% of the respondents disagreed.

Timely delivery of goods thus reduces on lead time had 40% of the respondents who strongly disagreed, 32.5% agreed 10% were not sure, 15% of the respondents disagreed and 2.5% of the respondents strongly disagreed.

Customers issues are dealt with on individual basis had 37.5% of the respondents who strongly agreed, 35% agreed, 12.5% were not sure, 15% of the respondents disagreed and none strongly disagreed.

50% of the respondents strongly agreed, 27.5% Agreed, 12.5% were not sure, 10% disagreed and none of the respondents strongly disagreed to customers' requests and complaints are handled as soon as possible in Nakumati supermarket.

Achieves cost advantage on competitors through the use of electronic system had 25% of the respondents who strongly agreed, 45% agreed 5% were not sure, 10% disagreed and 15% strongly disagreed.

From the study, the researcher found out that; vendor managed inventory requires use of electronic purchasing to be effective. Timely delivery of goods, lowers operation cost, speeds up the process and others.

CHAPTER FIVE

SUMMARY OF THE FINDINGS, CONCLUSION, RECOMMENDATIONS AND AREAS FOR FURTHER RESEARCH.

5.0 Introduction

This chapter looks at the summary, conclusion of the research findings, considers possible recommendations and suggests areas for further research.

5.1 Summary of the findings

It can be seen that as regards to relevancies of vendor managed inventory employed by organization. According to the respondents who strongly agreed and agreed requires administrative cost and reduce lost sales had the highest (85%), followed by Data entry errors are reduced with 58% and Better services level to the end customer with 55%.Others were Quick and easy replenishment of stock of goods and True partnership is formed between manufacture and distributors.

On challenges in Nakumati supermarket. The findings were that VMI is dependent on big business had 80% of the respondents, 75% requires all stake holders to agree and support process, Trust cannot be achieved overnight had 70% requires vendors to make more deliveries of goods and VMI is often reliant on process and technology had 65% Therefore if those are well handled process can be well adopted to achieve the objectives of business.

The findings on relationship between vendor managed inventory and organization performance were; the lowers operation cost on the VMI had 80% of the respondents, speed up the process via electronic ordering and customers' requests and complaints are responded to had 77.5%, others were timely delivery of goods thus reduces had 73%, customers issues are dealt with on individual basis and achieve cost advantages over competitors had 70%.The findings imply that there is relationship between vendor managed inventor and organization performance in the organization.

5.2 Conclusions

This study was set to establish the relationship between vendor managed inventory and organization performance in Nakumatt supermarket. It was guided by the study objectives which included determining the relevancies of the vendor managed inventory on organization performance in Nakumatt supermarket. Exploring the challenges of VMI in Nakumatt and assess the relationship between vendor managed inventory and organization performance in Nakumatt supermarket.

The study found out that that there are various relevancies of vendor managed inventory on performance at Nakumatt supermarket which included requires administrative cost and reduce lost sales by 85% followed by Data entry errors are reduced with 58%and others were, Better services level to the end customer, Quick and easy replenishment of stock of goods, True partnership is formed between manufacture and distributors. This implies that vendor managed inventory has got impact on performance of Nakumatt supermarket.

It was also established that there were some challenges of vendor managed inventory at Nakumatt such as, VMI is dependent on big business with 80% followed by requires all stake holders to agree and support process indicated by 75%, trust cannot be achieved overnight with 70%, requires vendors to make more deliveries of goods shorter lead time since vendor takes control of inventory on behalf of company finally, VMI is often reliant on process and technology with 65% thus challenges need to be addressed in VMI.

It was found out that there was relationship between vendor managed inventory and organization performance such as lowers operation cost indicated by 80% and speeds up the process of VMI had 78% of the respondents identifying it others were timely delivery, achieves cost advantages over competitors, customers complaints and requests are respond to very fast indicated by 73% of respondents. Therefore vendor managed inventory improves the performance of Nakumatt supermarket.

The researcher finally found out that vendor managed inventory is key system that helps organization to achieve a competitive advantages over competitors in the business field at Nakumati supermarket.

5.3 Recommendations

Regular evaluation of the stock requirements to enable the implementation of the vendor inventory management related to the provision of the set policies for management of inventory.

Attainment of more expertise in vendor inventory management to address limited organizational expertise through attending training, seminars workshop on vendor inventory management this improves the levels of stock management in Nakumati supermarket.

Establishing thorough physical count against accounting records and rechecks discrepancies. Make a note about variances and follow up where necessary. Once the stock take has been finalized, update the inventory records in your accounting package. A well planned stock take will result in minimal disruption, accurate inventory records and provides a basis for making informed business decisions.

Establish your recording and monitoring system on vendor managed inventory. Listing stock lines and deliveries in logical groups linked to how the business is run and in that everyone in the business understands vendor managed inventory.

5.4 Areas of further study

The results presented in this report may not be conclusive and should be treated as being preliminary. Further analysis of the survey data on vendor managed inventory on organization performance. Therefore based on these there is need for further study to be conducted on the following.

- Inventory management and service delivery
- Vendor efficiency and organization management
- Stock taking and organizations management

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APPENDIX I: Questionnaire

Dear respondent,

I am pleased to inform you that you are one of those who were selected to respond to this questionnaire about" Vendor management inventory and organization performance". The data collected using this questionnaire will be used to compile an academic research report to be submitted to Kampala international university for the award of a bachelor degree of procurement in response towards the Nakumati supermarket will be confidential and valuable to the successful completion of study.

You are kindly requested to fill this questionnaire as honestly as you can.

Please answer the following questions by either writing in it the space provided or by ticking in the box provided.

1. SECTION A: GENERAL INFORMATION

1. Gender

   Male ☐ Female ☐

2. In which age bracket are you?

   20-30 ☐ 40-50 ☐

   30-40 50+ ☐

3. Education level

   Primary ☐ Diploma ☐

   Secondary ☐ Degree

   Certificate ☐

4. Professional qualification

   CIPS ☐ ACCA ☐

   CPA ☐ CILT ☐

5. Level of experience

   1-4 years ☐ 10-14 ☐

   5-9 years ☐ 15 and above ☐

Direction: please respond to the options and kindly be guided with the scaring system below. Please write your rating in the space provided.

Rating	Score response	Description	Legend
1	strongly agree	you agree with no doubt	SA
2	Agree	you agree with some doubt	A
3	Not sure	you doubt	NS
4	Disagree	you disagree with some doubt	A
5	Strongly disagree	you disagree with no doubt at	SD

Under the following sections, please tick according to your level of agreement.

SA	Strongly Agree
A	Agree
NS	Not sure
D	Disagree
SD	Strongly Disagree

Please evaluate the statement by ticking in the box with the number that best suits you.

SECTION B: **Relevancies of VMI on organization performance of Nakumatt supermarket**

NO	SCALE	1	2	3	4	5
1.	Reduce administrative cost and reduce lost sales					
2.	Data entry errors are reduced					
3.	Better services levels to end customers					
4.	Quick and easy replenishment of stock of goods					
5.	True partnership is formed between manufacture and distributors.					

SECTION C; **Challenges that are faced by VMI?**

NO	SCALE	1	2	3	4	5
1	VMI is dependent on big business					
2	Requires all stake holders to agree and support process by 100%.					
3	Trust cannot be achieved overnight					
4	Requires vendors to make more deliveries of goods					
5	VMI is often reliant on process and technology.					
6	Hard work is required					

SECTION D; **Relationship between VMI and performance of organization**

NO	Scale	1	2	3	4	5
1	Lowers operation cost on the VMI system					
2	Speed up the process via electronic ordering					
3	Timely delivery of goods thus reduces lead time in the service					
4	Customers issues are dealt with on individual basis					
5	Customers' requests and complaints are responded to as soon as possible at by use of technology					
6	Achieve cost advantage over competitors through abided other cost that would be involved in ordering, advertising.					

APPENDIX II: BUDGET

Item	Cost per unit	Total
Stationary	1 ream	20,000
Research instruments	50	100,000
Transport	4 trips	100,000
Research assistants	2	50,000
Proposals	4	15,000
Dissertation	4	100,000
Total		**385,000**

APPENDIX III: Ghant Chart showing the Time Frame

Item	Time (Months)				
	Nov 2015	December 2015	Late Dec 2015-Jan 2015	Mid Jan 2016	Late Jan 2016
Proposal writing					
Proposal approval					
Data collection					
Data analysis					
Report review and editing					
Submission of final report					

Appendix IV: Table for determining sample size

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	**52**	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	10000 0	384

lote: "N" is population size

"S" is sample size.