

ELECTRONICS INDUSTRY DATA EXCHANGE (EIDX)

Inventory Management Business Models for Consignment Processes

Two-Party Models

IMPORTANT NOTE

Pre-1999 business models are undergoing recast into Unified Modeling Language (UML) notation, and some restructuring. In addition, we've been adding cross-references to XML standards, such as RosettaNet. **The Downloadable business model documents have *not* been updated. Always refer to the "[Clickable Business Models](#)" for the latest and greatest information.** That area of the website also contains very useful information on newer, internet-based technologies. The changes to the existing models *have not changed the original intent* of the models published here in this table, but are (we hope) improvements to presentation that enhance understanding of the business processes and how to implement them.

August 1997

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EIDX Inventory Management Models for Consignment

Revision History

Date	Description
August 1997	As Issued

EIDX Inventory Management Models for Consignment

Table Of Contents

Purpose	1
Additional References:	1
Standards Version	1
Abbreviations Used	1
Project Proposal	2
Definitions	3
CONSIGNED INVENTORY	3
NOT CONSIGNED INVENTORY	3
Allocated Inventory	3
Safety Stock	3
Scope	4
Consignment Base Model and Variations	4
Variation in Contractual Terms	4
Variation in Transactions/Messages Used	4
Types of Consignment Processes	5
Benefits	8
Considerations	9
Inventory Audits and Reconciliation	9
Inventory Activity and Transfer of Ownership	9
Transactions/Messages Used for Consignment Processes	10
Consignment Data Requirements	10
Consignment Transaction/Messages	10
Inventory Management Model 1 - Consignment Base Model	11
Inventory Management Model 2 - Consignment with Bill-Only Purchase Order	13
Inventory Management Model 3 - Consignment, Resale or Transfer	15
Inventory Management Model 4 - Consignment, "Retail"	17
Inventory Management Model 5 - Consignment, Consumption-based SMI	19
Inventory Management Model 6 - Consignment, Forecast-based SMI	21
Issues Log	23
Summary	24

EIDX Inventory Management Models for Consignment

Purpose

The purpose of this document is to model the flow of documents and information used in some common two-party business processes related to managing consigned inventory. A subsequent document will model the flow of information in multi-party business processes for managing consigned inventory.

Any implementation method should be agreed upon by trading partners. It is the intent of this document to make interpretation of the models used for consigned inventory more consistent, so that implementations are based upon common practices.

ADDITIONAL REFERENCES:

- *Product and Other Identifiers Recommendations* (Ballot draft May 1997).
- *EIDX Business Models: Order Models* (Ballot Draft November 1996).
- *EIDX Business Models: Forecast / Planning Models* (Ballot Draft November 1996).

STANDARDS VERSION

Any reference to transactions, messages, data segment or element positions referred to in this document are particular to ASC X12 Version 003070 or EDIFACT D.97A. Users of this document may need to adapt information when applying these recommendations to other standards versions.

ABBREVIATIONS USED

ANSI	American National Standards Institute
ASC X12	Accredited Standards Committee X12 (ANSI)
EDI	Electronic Data Interchange
UN- EDIFACT	United Nations - EDI for Administration, Commerce and Trade

EIDX Inventory Management Models for Consignment

Project Proposal

- Title:** Consignment Inventory Management
- Description:** We need a standard format on consignment inventory management to clarify the process.
- Project Champion:** Motorola SPS
- Project Leaders:** Stephenie Cooper, Hewlett-Packard Co.; Paul Pierce, Motorola SPS
- Team Members:** Dave Weyer, Arrow Electronics; Steve Marino, Avnet; Tony Mandle, Celestica; John Kinney, Solectron; Marilyn Cooper, Sterling Electronics; David Minter, TTI; Ida Mata, Philips Semiconductors
- Scope/Objective:** Define and develop consignment inventory scenarios in support of business processes.
- Related Projects:** INVRPT and SLSRPT guidelines are in process.
- Assumptions/Constraints:** All guidelines will support or be modified to support consigned inventory models.
- Benefits:** Standardized and clarified processes for implementing consigned inventory programs resulting in decreased implementation cycle time.

Definitions

CONSIGNED INVENTORY

Consigned inventory is inventory which is in the possession of one party (e.g. customer, dealer, agent, etc.), but remains the property of another party (e.g., manufacturer, prime contractor, etc.) by mutual agreement.

The possessor of the inventory does not hold title to the inventory. Liability for the inventory is per contractual agreement. Title may or may not pass to the possessor depending on the contractual agreement.

- Title may pass from a seller to a buyer when the buyer consumes the inventory.
- Inventory may be consigned by a buyer to a third-party warehouse, to whom liability may pass but not title.
- Inventory may be consigned by a buyer to a contract manufacturer; title may or may not transfer depending on the contractual agreement.

Synonyms:

- Supplier-owned inventory (from the buyer's perspective)
- Customer-owned inventory (from the contract manufacturer's perspective)
- In-house stores (from consignee's perspective)
- Line-side stocking
- Remote warehouse (from seller's perspective)

NOT CONSIGNED INVENTORY

There are a number of terms for reserving or "setting apart" inventory that should not be confused with "consigned" inventory.

Allocated Inventory

Allocated inventory is inventory on hand or on order which is assigned to a specific production or customer order. The possessor of the inventory holds title to the inventory; title may transfer when the goods are transferred (sold/shipped) to the customer, or allocated inventory may become consigned inventory, with title transfer to occur based on contractual agreement. Synonyms: Reserved inventory (reservation); assigned inventory; mortgaged inventory; obligated inventory; bonded inventory.

Safety Stock

Safety stock is inventory reserved for protection against fluctuations in demand and/or supply. The possessor of the inventory holds title to the inventory; title transfer is not applicable - safety stock either remains safety stock, gets sold, gets consumed, becomes allocated, becomes consigned, shrinks, or gets lost. Synonyms: Buffer stock; hedge.

EIDX Inventory Management Models for Consignment

Scope

This document will address the following two-party business models:

Inventory Management Model	Description
1	Consignment Base Model
2	Consignment with Bill-Only Purchase Order
3	Consignment - Transfer or Resale
4	Consignment - "Retail"
5	Consignment - Consumption-based SMI (Supplier-Managed Inventory)
6	Consignment - Forecast-based SMI (Supplier-Managed Inventory)

CONSIGNMENT BASE MODEL AND VARIATIONS

There is a basic, traditional "Seller Consigns to Buyer" business process. EIDX's business model 1 deals with this basic process. Most consignment business processes are a variation of the base process, and can work off of this base model. EIDX business models are needed for core, commonly used variations.

Variation may have to do with (among other things):

- Contractual Terms
- Transactions/Messages Used

See also "*Considerations*" below.

Variation in Contractual Terms

The contract between parties using a consigned inventory process may specify that transfer of ownership takes place, e.g. when buyer physically moves parts from seller's stores or when at post-deduct. This does not change the base model, but rather the timing of events.

Variation in Transactions/Messages Used

Example: If consignment is used with an invoice-less payment model, the buyer's system may be set up for pay-on-consumption (compare to pay-on-receipt), and the seller does not need to send an invoice. Report of usage may be embedded in a forecast or payment transaction, instead of being sent in a discrete transaction/message. Such variations do change the base model.

EIDX Inventory Management Models for Consignment

Types of Consignment Processes

The table below describes some basic consignment scenarios and identifies which business model(s) will address the process described. The scenarios below are not exhaustive.

Abbreviations:

CM = Contract Manufacturer

CS = Component Supplier

DS = Distributor

PC = Prime Contractor

VAR = Value-Added Reseller

SC = Service Contractor

Process	Process Description	EIDX Business Model
Seller consigns to Buyer	<ul style="list-style-type: none"> • Buyer forecasts planned orders • Buyer orders parts • Seller ships parts, retains ownership • Buyer consumes parts, reports usage to seller • Seller transfers ownership and bills buyer 	Inventory Management Models 1, 2
CS consigns to distributor (DS) or Value-Added Reseller (VAR)	<ul style="list-style-type: none"> • DS/VAR forecasts planned orders • DS/VAR orders parts • CS ships parts, retains ownership • DS/VAR sells parts, reports sale to CS • CS transfers ownership and bills DS 	Inventory Management Models 3, 4
CS consigns to PC, Ships to DS	<ul style="list-style-type: none"> • PC sends forecast to DS • DS forwards forecast to CS • DS places orders on CS for PC • CS ships to DS warehouse • DS does releases to PC • Upon receipt of product (usage), PC pays CS for components and pays DS for inventory management 	Three-party Inventory Management model (future)

EIDX Inventory Management Models for Consignment

<p>PC consigns components to CM or SC for assembly/finishing/value-add</p>	<p>(Ownership does not transfer; if for assembly, typically, CM is local; does not involve component supplier)</p> <ul style="list-style-type: none"> • Buyer issues order to CM/SC • Buyer ships/issues parts to CM/SC, retains ownership • CM assembles (optionally provides other components), finishes (e.g. painting, plating), performs value-add (e.g. programming), etc. • CM/SC ships assembly/finished component to buyer • CM/SC bills for services, additional components/materials • Buyer internally transfers inventory (components → assembly or finished component) 	<p>Three-party Inventory Management model (future)</p>
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EIDX Inventory Management Models for Consignment

<p>CS consigns to PC for transfer to CM</p>	<ul style="list-style-type: none"> • PC orders component from CS • CS ships to PC • PC orders assembly from CM • CM orders components from PC • PC transfers/sells parts to CM • PC reports transfer/sale to CS • CS bills PC and transfers ownership 	<p>Three-party Inventory Management model (future)</p>
<p>CS/DS drop ships components to CM and consigns to PC</p>	<ul style="list-style-type: none"> • PC forecast to Distri/Component Supplier • Replenishment of inventory at CM site triggered (by Distri, CM or PC) • Distri/CS ships to CM • CM manufactures PC's assembly per release • CM transfers assembly to PC (either physically delivers or financially transfers to PC) • DS/CS invoices PC and backflushes inventory 	<p>Three-party Inventory Management model (future)</p>

EIDX Inventory Management Models for Consignment

Benefits

Consignment processes are initiated for business reasons decided between trading partners. EIDX will make no recommendations as to whether/when consignment should be used. However, EIDX will recommend guidelines for business models and transactions/messages to be used in support of consignment processes in order to clarify processes for implementing consigned inventory programs, resulting in decreased implementation cycle time.

Considerations

There are going to be a variety of ways that information is transferred in consignment processes. How usage is reported and replenishment is triggered may depend on which Order and/or Forecast/Planning Model is being used in conjunction with a consignment Inventory Management model, as well as upon contractual terms agreed between trading partners.

What makes consignment processes complex is not so much the flow of data, but rather the contractual issues and the application interfaces.

INVENTORY AUDITS AND RECONCILIATION

Inventory needs to be accounted for when it is physically located in one party's warehouse (may be buyer's warehouse or third party's warehouse) but owned by another party (e.g. seller). For example, the consignee (buyer) may need to show inventory data on their system so they can report it to the consignor (seller), but the consignee does not want to show that inventory on their books. Conversely, the consignor needs to show inventory on their books that is not physically located on the consignor's property.

Consigned inventory processes must have a reconciliation mechanism of some kind. In all business models for consigned inventory processes, an optional step for inventory reporting is included. Inventory reporting is done for audit purposes, inventory balancing, and reconciliation. This inventory reporting supplements physical audits which the consignor (owner of the inventory) performs on inventory physically located at the consignee's facility.

INVENTORY ACTIVITY AND TRANSFER OF OWNERSHIP

As mentioned above, the contractual agreement between trading partners may specify what even triggers transfer of ownership, and therefore triggers the billing/payment cycle. The following is a non-exhaustive list of points at which transfer of ownership might take place:

Inventory activities that typically do not trigger transfer of ownership of consigned inventory:

- At shipment from seller to buyer
- At notification of receipt of goods from customer
- When Ship Notice is issued by seller
- When product moves from buyer's receiving dock to seller's warehouse at buyer's plant

Inventory activities that can trigger transfer of ownership of consigned inventory:

- When product moves from seller's warehouse at buyer's plant to buyer's stockroom
- When product moves from buyer's stockroom to buyer's shop floor (to WIP)
- When product moves from buyer's shop floor (WIP) into buyer's finished goods
- When product shipped to end-customers from buyer's finished goods

Transactions/Messages Used for Consignment Processes

Transactions and Messages recommended in the business models addressed in this document are based on a high-level evaluation transactions and messages available in ASC X12 and EDIFACT that are already being used for consignment processes. The recommendations in this document are subject to revision when the EIDX Guidelines and Standards Subcommittee evaluates the transactions/messages in detail.

CONSIGNMENT DATA REQUIREMENTS

Basic data items used in many consignment processes:

- Quantity used, transferred or sold
- Part number
- Purchase order number that the inventory was associated with
- Date of use or date of event triggering title transfer
- Location
- End-customer information

CONSIGNMENT TRANSACTION/MESSAGES

A variety of transactions/messages are used for consigned inventory processes. As will be shown in the business models for consigned inventory, sometimes the choice of which transaction or message to use is trading partner preference, and sometimes there is a business need which requires use of a specific transaction or message. The following table gives a high-level description of the transactions/messages commonly used for consigned inventory processes and their differences.

X12 Txn	UN Msg	Description
846	INVRPT	Used to report inventory levels, lead time
850	ORDERS	Used to trigger replenishment and used bill-only to report usage (distinguished from Stand-Alone Order or Blanket Order by Purchase Order Type Code or Message Type).
852	INVRPT	Used primarily in retail when reference not made to specific end-customer; allows combined sales and inventory data; allows some granularity on inventory activity such as quantity on hand, quantity in transit, quantity sold, beginning and ending balances, additional demand, etc.
867	SLSRPT	Used to report sales or transfer; allows detail about sold-to or ship-to (end customer) and ship-from locations; used for Point-of-Sale.

EIDX Inventory Management Models for Consignment

Attributes (Detail) and Transaction/Message Recommendations

Step	Description	Transaction/Message Recommendation
1.	Buyer sends forecast to seller per appropriate Forecast/Planning Business Model.	See Forecast/Planning Models
2.	Buyer issues release or order to seller per appropriate Order or Forecast/Planning Business Model.	See Order and Planning/Forecast Models.
3.	Seller transfers (ships) goods to consignment warehouse (buyer's or third party's facility) per appropriate Shipment Model.	See Shipment Models.
4.	Inventory is physically located at buyer's facility. Buyer reports usage to trigger transfer of ownership and Billing/Payment cycle. Types of usage include OEM in-house consumption or VAR resale to end customer. Reporting of usage does not trigger replenishment (replenishment is per next release or order - Step 2 above).	850/ORDERS, 852/INVRPT, 867/SLSRPT may be used. Which to use may be based on trading partner preference. Inventory Management Models 2, 3 and 4 describe situations where business requirements may dictate a specific choice of transaction/message to use.
5.	Ownership transfers from seller to buyer per contractual terms. Seller invoices buyer or payment is triggered per appropriate Billing or Payment model.	See Billing and Payment Models.
6.	(Optional) Buyer performs inventory counts and reports to seller (scheduled, as-needed, or at seller request). Seller may invoice for inventory shrinkage.	846/INVRPT Inventory Request/Report may be used; alternative Electronic Commerce solutions may be appropriate, such as controlled internet (web) access to a trading partner's inventory data.

Other Usage Recommendations

- Not recommended with Order Model 4 - Consumption-based SMI (Supplier-Managed Inventory).
- Not recommended with Forecast/Planning Model 4 - Forecast-based SMI.

EIDX Inventory Management Models for Consignment

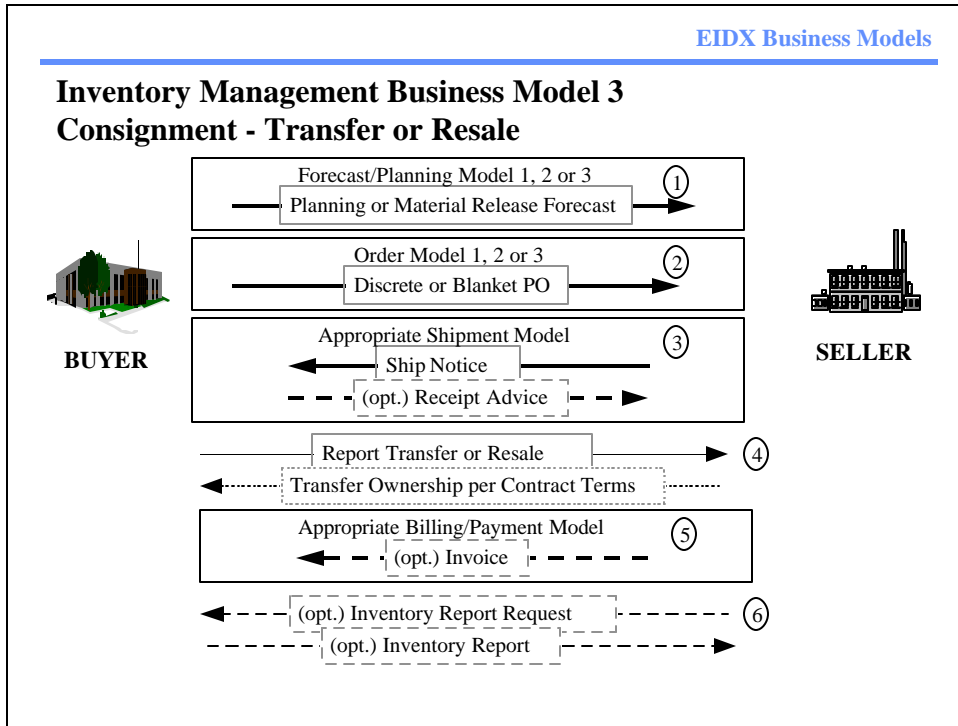
Attributes (Detail) and Transaction/Message Recommendations

Step	Description	Transaction/Message Recommendation
1.	Buyer sends forecast to seller per Forecast/Planning Business Model 1 - Planning Forecast, Forecast/Planning Model 2 - Classic Material Release, or Forecast/Planning Model 3 - Embedded Release. Forecast is optional if stand-alone PO's (Order Model 1) is being used.	See Forecast/Planning Models
2.	Buyer issues release or order to seller per Order Model 1 - Stand-Alone PO, Order Model 2 - Blanket PO, Discrete Releases, Order Model 3 - Blanket PO, Forecast Releases. Note: Order Model 3 is used in conjunction with Forecast/Planning Model 2 or 3.	See Order and Planning/Forecast Models.
3.	Seller transfers (ships) goods to consignment warehouse (buyer's or third party's facility) per appropriate Shipment Model.	See Shipment Models.
4.	Inventory is physically located at buyer's facility. Buyer sends bill-only order to report usage to trigger transfer of ownership and Billing/Payment cycle. Reporting of usage does not trigger replenishment (replenishment is per next release or order - Step 2 above).	850 or ORDERS Purchase Order (Bill-Only)
5.	Ownership transfers from seller to buyer per contractual terms. Seller invoices buyer or payment is triggered per appropriate Billing or Payment model.	See Billing and Payment Models.
6.	(Optional) Buyer performs inventory counts and reports to seller (scheduled, as-needed, or at seller request). Seller may invoice for inventory shrinkage.	846/INVRPT Inventory Request/Report may be used; alternative Electronic Commerce solutions may be appropriate, such as controlled internet (web) access to a trading partner's inventory data.

Other Usage Recommendations

- Not recommended with Order Model 4 - Consumption-based SMI (Supplier-Managed Inventory).
- Not recommended with Forecast/Planning Model 4 - Forecast-based SMI.

Inventory Management Model 3 - Consignment, Resale or Transfer



Attributes (Summary)

Buyer-managed Inventory process. Buyer is in possession of inventory owned by the seller. Buyer reports transfer or resale, optionally with reference to specific end customers or sold-to/ship-to or other party/location details. Report of transfer/resale triggers transfer of ownership and billing/payment cycle; buyer issues release or order to trigger replenishment.

Buyer is typically a Distributor or Value-Added Reseller selling to and End Customer, but may be a Prime Contractor, Contract Manufacturer, etc. Seller may be an OEM, Component Supplier, etc.

EIDX Inventory Management Models for Consignment

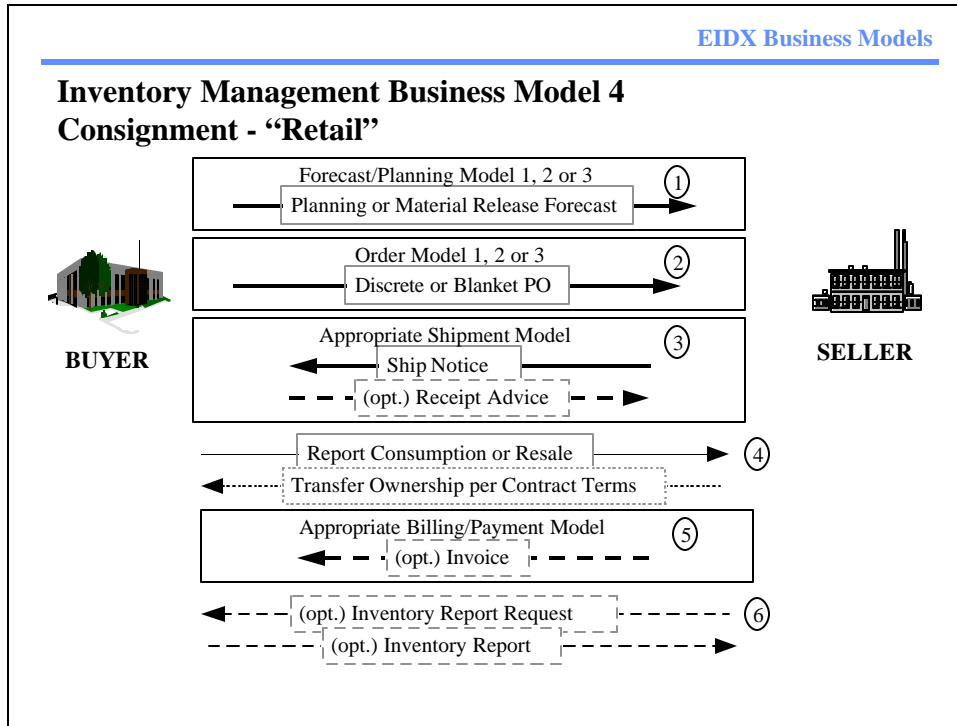
Attributes (Detail) and Transaction/Message Recommendations

Step	Description	Transaction/Message Recommendation
1.	Buyer sends forecast to seller per Forecast/Planning Business Model 1 - Planning Forecast, Forecast/Planning Model 2 - Classic Material Release, or Forecast/Planning Model 3 - Embedded Release. Forecast is optional if stand-alone PO's (Order Model 1) is being used.	See Forecast/Planning Models
2.	Buyer issues release or order to seller per Order Model 1 - Stand-Alone PO, Order Model 2 - Blanket PO, Discrete Releases, Order Model 3 - Blanket PO, Forecast Releases. Note: Order Model 3 is used in conjunction with Forecast/Planning Model 2 or 3.	See Order and Planning/Forecast Models.
3.	Seller transfers (ships) goods to consignment warehouse (buyer's or third party's facility) per appropriate Shipment Model.	See Shipment Models.
4.	Inventory is physically located at buyer's facility. Buyer reports resale or transfer to trigger transfer of ownership and Billing/Payment cycle. Buyer may report detail (names/locations) of sold-to/ship-to, and/or ship-from parties. Reporting of usage does not trigger replenishment (replenishment is per next release or order - Step 2 above).	867 Product Transfer/Resale or SLSRPT Sales Report
5.	Ownership transfers from seller to buyer per contractual terms. Seller invoices buyer or payment is triggered per appropriate Billing or Payment model.	See Billing and Payment Models.
6.	(Optional) Buyer performs inventory counts and reports to seller (scheduled, as-needed, or at seller request). Seller may invoice for inventory shrinkage.	846/INVRPT Inventory Request/Report may be used; alternative Electronic Commerce solutions may be appropriate, such as controlled internet (web) access to a trading partner's inventory data.

Other Usage Recommendations

- Not recommended with Order Model 4 - Consumption-based SMI (Supplier-Managed Inventory).
- Not recommended with Forecast/Planning Model 4 - Forecast-based SMI.

Inventory Management Model 4 - Consignment, "Retail"



Attributes (Summary)

Buyer-managed Inventory process. Buyer is in possession of inventory owned by the seller. Buyer reports consumption (in-house), transfer or resale (a/k/a sell-through) without reference to specific end-customer; buyer may also include granular detail on inventory activity. Report of consumption/transfer/resale triggers transfer of ownership and billing/payment cycle; buyer issues release or order to trigger replenishment.

Buyer is typically a Retailer selling to consumers or an End Customer, such as a Prime Contractor (a/k/a OEM) or Contract Manufacturer (CM), but may be a Distributor or Value-Added Reseller. Seller may be a Component Supplier, Contract Manufacturer, Distributor, etc.

EIDX Inventory Management Models for Consignment

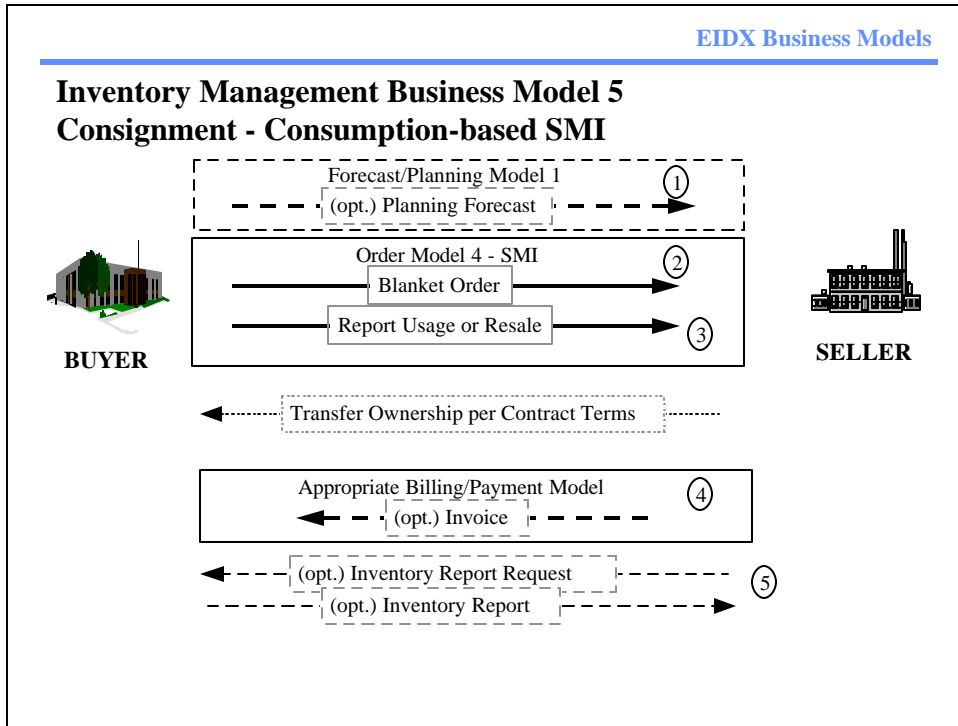
Attributes (Detail) and Transaction/Message Recommendations

Step	Description	Transaction/Message Recommendation
1.	Buyer sends forecast to seller per Forecast/Planning Business Model 1 - Planning Forecast, Forecast/Planning Model 2 - Classic Material Release, or Forecast/Planning Model 3 - Embedded Release. Forecast is optional if stand-alone PO's (Order Model 1) is being used.	See Forecast/Planning Models
2.	Buyer issues release or order to seller per Order Model 1 - Stand-Alone PO, Order Model 2 - Blanket PO, Discrete Releases, Order Model 3 - Blanket PO, Forecast Releases. Note: Order Model 3 is used in conjunction with Forecast/Planning Model 2 or 3.	See Order and Planning/Forecast Models.
3.	Seller transfers (ships) goods to consignment warehouse (buyer's or third party's facility) per appropriate Shipment Model.	See Shipment Models.
4.	Inventory is physically located at buyer's facility. Buyer reports usage (in-house consumption or transfer/resale) to trigger transfer of ownership and Billing/Payment cycle. Buyer may report detail about inventory activity and may send reference to purchase order goods were shipped against. Reporting of usage does not trigger replenishment (replenishment is per next release or order - Step 2 above).	852 Product Activity provides usage data. EDIFACT INVRPT Inventory Report is not exact counterpart to 852 but is close equivalent.
5.	Ownership transfers from seller to buyer per contractual terms. Seller invoices buyer or payment is triggered per appropriate Billing or Payment model.	See Billing and Payment Models.
6.	(Optional) Buyer performs inventory counts and reports to seller (scheduled, as-needed, or at seller request). Seller may invoice for inventory shrinkage.	846/INVRPT Inventory Request/Report may be used; alternative Electronic Commerce solutions may be appropriate, such as controlled internet (web) access to a trading partner's inventory data.

Other Usage Recommendations

- Not recommended with Order Model 4 - Consumption-based SMI (Supplier-Managed Inventory).
- Not recommended with Forecast/Planning Model 4 - Forecast-based SMI.

Inventory Management Model 5 - Consignment, Consumption-based SMI



Attributes (Summary)

Supplier-managed Inventory process. Buyer is in possession of inventory owned by the seller. Buyer reports consumption (in-house), transfer or resale (a/k/a sell-through). Report of consumption/transfer/resale triggers transfer of ownership and billing/payment cycle; seller calculates replenishment requirements based upon consumption information (i.e. used, pulled from stock, sold, etc.). Optionally, seller may compare buyer’s planning forecast to consumption data when evaluating requirements.

Buyer is typically a Retailer selling to consumers or an End Customer, such as a Prime Contractor (a/k/a OEM) or Contract Manufacturer (CM), but may be a Distributor or Value-Added Reseller. Seller may be a Component Supplier, Contract Manufacturer, Distributor, etc.

EIDX Inventory Management Models for Consignment

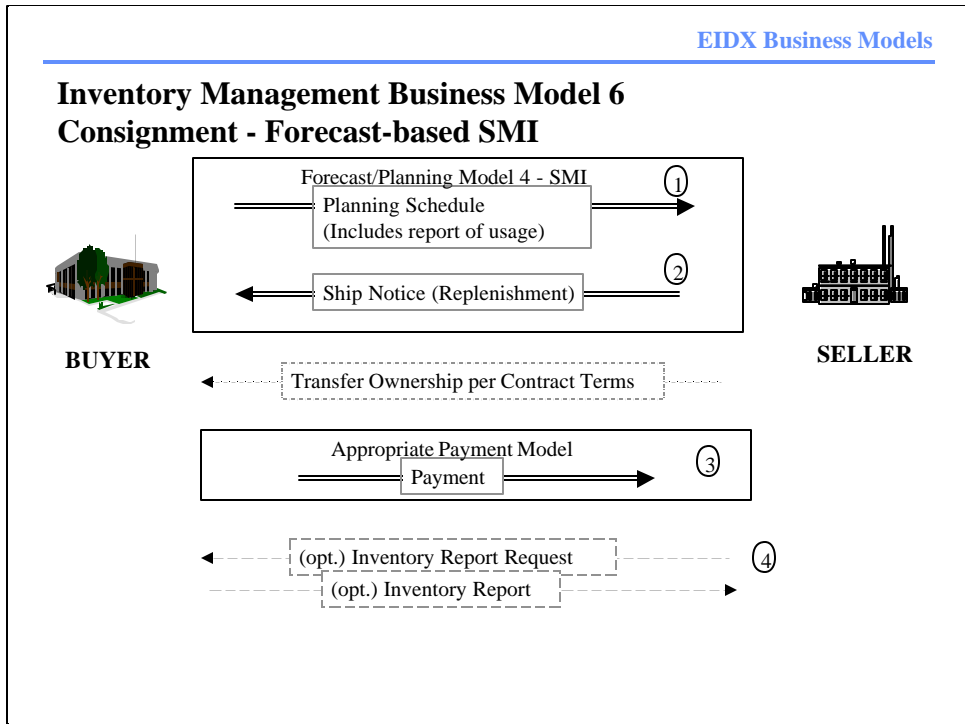
Attributes (Detail) and Transaction/Message Recommendations

Step	Description	Transaction/Message Recommendation
1.	(Optional) Buyer sends forecast to seller per Forecast/Planning Business Model 1 - Planning Forecast.	See Forecast/Planning Models
2.	Buyer issues Blanket Order to seller per Order Model 4 - Consumption-based SMI.	See Order Models; Order Model 4 includes reference to Shipping Models.
3.	Inventory is physically located at buyer's facility. Buyer reports usage (in-house consumption or transfer/resale) to trigger transfer of ownership and Billing/Payment cycle. Buyer may report detail about inventory activity and may send reference to purchase order goods were shipped against. Seller calculates replenishment requirements based on consumption information.	852 Product Activity provides usage data. EDIFACT INVRPT Inventory Report is not exact counterpart to 852 but is close equivalent.
4.	Ownership transfers from seller to buyer per contractual terms. Seller invoices buyer or payment is triggered per appropriate Billing or Payment model.	See Billing and Payment Models.
5.	(Optional) Buyer performs inventory counts and reports to seller (scheduled, as-needed, or at seller request). Seller may invoice for inventory shrinkage.	846/INVRPT Inventory Request/Report may be used; alternative Electronic Commerce solutions may be appropriate, such as controlled internet (web) access to a trading partner's inventory data.

Other Usage Recommendations

- Not recommended with Order Models other than Order Model 4 - Consumption-based SMI (Supplier-Managed Inventory).
- Not recommended with Forecast/Planning Models other than Forecast/Planning Model 1 - Planning Forecast.

Inventory Management Model 6 - Consignment, Forecast-based SMI



Attributes (Summary)

Supplier-managed Inventory process. Buyer is in possession of inventory owned by the seller. Buyer reports demand, usage not previously reported (e.g. usage for the week), receipts not previously reported (so seller can calculate in-transit inventory), inventory on-hand (buyer-owned), inventory in consignment warehouse (seller-owned), and minimum and maximum inventory target levels. Report of usage triggers transfer of ownership and billing/payment cycle; seller calculates replenishment requirements based upon demand and inventory levels.

Buyer is typically an end customer, such as a Prime Contractor (a/k/a OEM) or Contract Manufacturer (VAR). Seller may be a Component Supplier, Contract Manufacturer, Distributor, etc.

EIDX Inventory Management Models for Consignment

Attributes (Detail) and Transaction/Message Recommendations

Step	Description	Transaction/Message Recommendation
1.	Buyer sends planning schedule per Forecast/Planning Model 4 - Forecast-based SMI, containing gross requirements (planned consumption), usage not previously reported, receipts not previously reported, inventory levels, and minimum and maximum inventory target levels.	See Forecast/Planning Models.
2.	Seller replenishes inventory per Forecast/Planning Model 4 - Forecast-based SMI, based on demand, inventory levels, and inventory targets.	See Forecast/Planning Models.
3.	Ownership transfers from seller to buyer per contractual terms. Payment is triggered per appropriate Payment model.	See Payment Models.
4.	(Optional) Buyer performs inventory counts and reports to seller (scheduled, as-needed, or at seller request). Seller may invoice for inventory shrinkage.	846/INVRPT Inventory Request/Report may be used; alternative Electronic Commerce solutions may be appropriate, such as controlled internet (web) access to a trading partner's inventory data.

Other Usage Recommendations

- Not recommended with Forecast/Planning Models other than Forecast/Planning Model 4 - Forecast-based SMI.
- Although a billing/payment process which includes invoices may be used, maximum business process streamlining and therefore maximum benefit is gained by using a Pay-on-Consumption Payment model (to be developed).

EIDX Inventory Management Models for Consignment

Issues Log

For two-party consigned inventory business models, there are no open/unresolved issues at this time.

EIDX Inventory Management Models for Consignment

Summary

Consigned inventory processes may be enabled between trading partners through complex business re-engineering aimed at significantly reducing inventory levels for both buyer and seller. EIDX recommends simplifying the process by eliminating any process steps unnecessary for both Trading Partners. It is encouraged that companies find ways to embrace the EIDX recommendations for consigned inventory processes, which will allow consistent implementations within the electronics industry. However, trading partners' systems and internal process limitations may require deviations from the EIDX process flow. Nevertheless, the goal of eliminating unnecessary steps from business operations makes the benefits of implementing consigned inventory process per EIDX recommendations worth the effort.