

Using technology to streamline supply chain planning processes and leveraging them to develop pro-active customer partnerships has enabled UES International to reduce inventories, improve customer service and increase sales.

UES International is an Australian family-owned company established in 1904 and is the leading supplier, importer, exporter and manufacturer of high-quality industrial, marine and transportation hardware. With the head office located in Sydney, UES International has seven warehouses across Australia, along with offices in New Zealand, China and India.

UES International is a medium-sized Australian company, however, it faces the same challenges as any large company in terms of managing its supply chain, as it manages some 50,000+ stock-keeping units (SKU) across its seven warehouses. How can any company manage such a large number of products without the help of modern information technology tools?

Until the end of 2007, without a formal supply chain planning system, we recognised that we had high inventory levels without the promise of improved order-fill rates. As we operate in a highly competitive environment, delivering on time, every time has always been a key objective for our supply chain management team. But in 2007 we were no where near achieving that objective.

While we had employed information technology across the traditional accounting functions of our business, our supply chain planning processes were typically reactive rather than proactive. So towards the end of 2007, we started looking for an appropriate solution to plan our supply chain processes for forecasting demands and distributing inventories.



STREAMLINING SUPPLY CHAIN PLANNING PROCESSES

VICTOR SERNA



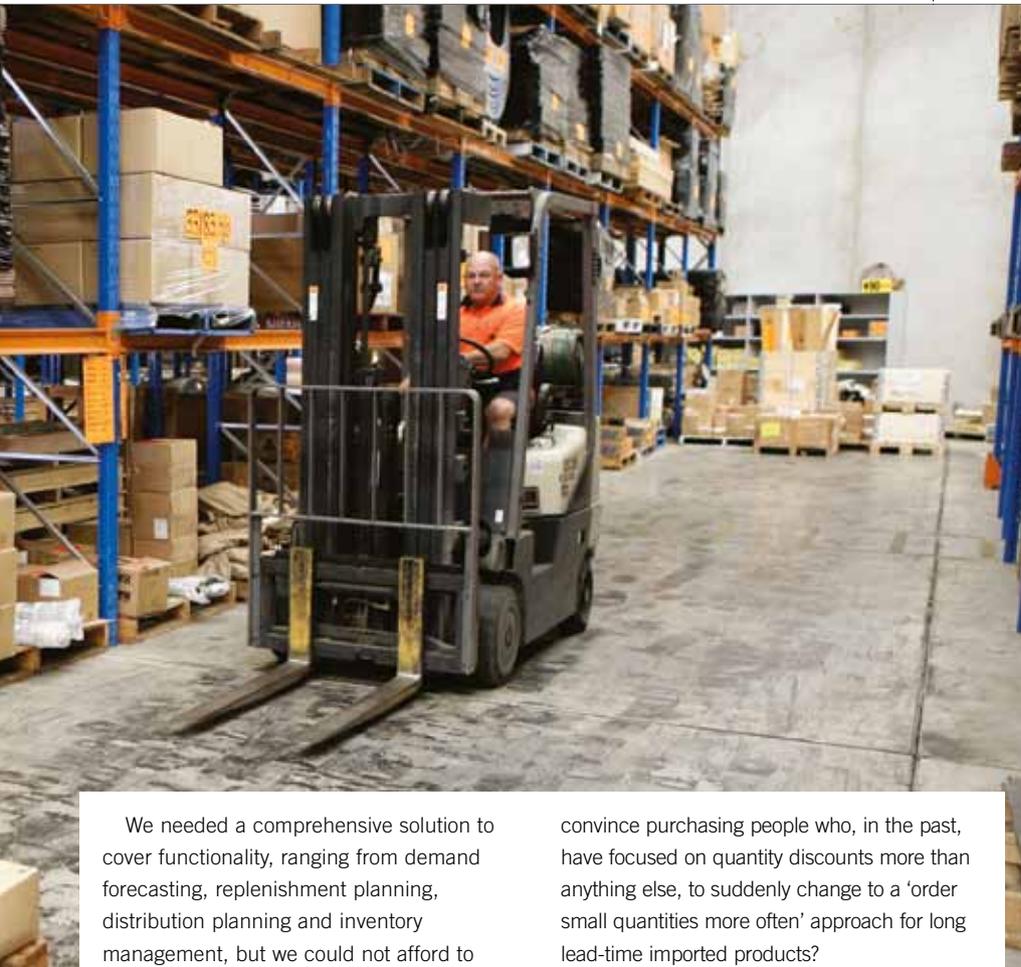
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We needed a comprehensive solution to cover functionality, ranging from demand forecasting, replenishment planning, distribution planning and inventory management, but we could not afford to invest thousands of dollars in such a solution. We are not a very large company and hence we always look for value-for-money as a key criterion in making such an investment.

A web search led me to the Supply Chain Planning (SCP 4.0) system, locally supported by Supply Chain Business Solutions of Sydney. While I was impressed with the functionality we saw in a demonstration, I was very sceptical and unsure as to how SCP 4.0 could offer such a rich combination of functionality at a fraction of the price of similar systems in the marketplace. We wanted to take a "try before you buy" approach and asked the company for a proof of concept. Both Supply Chain Business Solutions and Jada Management Systems, the developers of SCP 4.0, had no hesitation in agreeing. After a successful proof of concept, in early 2008 we decided to implement SCP 4.0.

A software system or a business process improvement tool?

We soon realised that making the decision to purchase a software system is possibly not as challenging as making it work, especially when some deep-rooted business practices have been entrenched in our day-to-day business operations for many years. For example, SCP 4.0's analysis clearly showed that our inventory policies were causing us to keep stock of some of our major products at levels far beyond what was necessary, even after allowing for some amount of contingency. However, how do we

convince purchasing people who, in the past, have focused on quantity discounts more than anything else, to suddenly change to a 'order small quantities more often' approach for long lead-time imported products?

We decided to take a pilot approach. I suggested to our purchasing team that we focus on a couple of our suppliers and see what happens. After a few months of working in close collaboration with these suppliers and changing our key inventory practices, we could clearly see what is possible when we are proactive about managing inventories rather than the reactive approach we had taken. Nothing convinces people to change more than proven results and the ability to claim credit for their contribution to the improvements.

Many companies make the mistake of investing in technology-based solutions and then trying to change the solution to mimic their existing business processes. We were determined not to fall into such a trap, but changing people's mindsets is by no means an easy task! Nevertheless, if you want your investment in technology to generate significant results, changing people's mindsets and challenging deep-rooted business practices is a pre-requisite for successful deployment of information technology.

Changing software or changing business practices?

We also found that whilst everyone preaches the mantra of changing business practices to suit the software solution (and that is correct possibly in 9 out of 10 situations), sometimes the software solution needs to be flexible to meet your business requirements.

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For example, all inventory management solutions carry out typical ABC-analysis based on a 'dollar value' basis. While that is very important in making decisions on inventory policies, Jon Schreiber in his book "Achieving Effective Inventory Management" talks about ABC ranking of items by number of hits, which made a lot of sense to me.

Ranking by cost, sales price or margin does not necessarily reflect the true measure in deciding whether the item should be stocked at specific times or locations. Take the example of a high-cost item that sells a few times a year at a location. Ranking by cost would probably make it an 'A' item, leading to it being stocked at that location, however, the more sensible approach would be to stock it centrally. Ranking by number of hits, on the other hand, would place it as a 'D' item and hence indicate that it should only be stocked centrally.

I wanted to be able to carry out ABC ranking of items by number of hits using SCP 4.0. Supply Chain Business Solutions and Jada Management Systems listened to my idea and enhanced SCP 4.0 in a matter of days, at no cost to us, to give us this functionality. The important message here is that don't be afraid to ask your software supplier to change things if the software solution falls short on some key aspect of your business. The cost to your business of compromising here could potentially be just too high!

Leveraging from streamlined supply chain

While the Supply Chain Planning system has helped us in significantly streamlining our supply chain planning processes, we have achieved even more results by leveraging these streamlined processes. We knew that our new processes had given us the ability to get very close to our 'delivering on time, every time' objective, but we needed to use our new strength to proactively seek more business.

Whilst our larger customers realise that the cost of late supplier delivery is far greater than perhaps the few dollars saved on the purchase price, we have over 5,000 customers from all sized businesses. For many of them, price is a key factor. We know that many of these customers, despite buying some products from us, are buying other products we could supply from other suppliers.

We are in the process of exploring Customer Relationship Management (CRM) tools and Route Mapping technology. With these tools, we believe we should be able to plan our sales teams' schedule in such a way that in the time they spend now visiting a few customers, they can visit a greater number of customers AND proactively offer products and services that will reduce their purchasing costs. By building win-win partnerships with our customers, we are hoping not only

to win more and more business from our existing customers, but also to win new customers!

How we survived the global financial crisis

Our managing director Alex Morcos in our mid-2009 company newsletter said: "Economic downturns and fluctuations in global markets are inevitable, and some would argue necessary, occurrences in an ever-changing business landscape. Whether global economies are booming or falling, our focus remains the same: the daily pursuit of excellence to better service our customers with the widest ranges of high quality product options, second-to-none customer service, and on time, every time delivery."

In a way, this focus has enabled us to survive through the global financial crisis. I guess we were possibly lucky to have streamlined our supply chain planning processes just in time before the global financial services hit us.

Our investment in technology is a great enabler in this regard. Apart from implementing Supply Chain Planning, we have implemented the latest in business intelligence software to guide all our business processes from forecasting to final delivery, and to measure key performance indicators along the way. Every aspect of our finance, accounting, supply chain and sales operations are now guided by business intelligence reports which flow to all line managers on a regular basis. Our managers believe that harnessing the power of information technology and using it in key decision making processes can lead to significant business benefits.

And the results...

I am happy to say that the implementation of the Supply Chain Planning system has enabled UES International to focus on improvements in all key supply chain management processes and not just number crunching. Over a period of about two years, by using the lean supply chain approach, we have managed to reduce overall inventories by about 35%, while making a 12% improvement in order fill rates and winning even more business! UES has benefited significantly from the reduced working capital requirements and reduced inventory carrying costs. Throughout this period, the support from Supply Chain Business Solutions and Jada Management Systems has been fantastic.

However, I believe we still have room for further significant improvements, and having laid a solid foundation over the last two years, we will be able to continue to pursue them.

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