

## COSTS SAVINGS THROUGH TRANSPARENCY

Concentrating on core competencies and optimally deploying resources are prerequisite today for being successful on the market. This applies in particular to the automotive and production industry which is confronted with high process complexity and low vertical integration. Customers and suppliers are therefore looking for new ways to more efficiently control their relationships. Vendor Managed Inventory (VMI), an approach where the supplier assumes responsibility for managing the customer warehouse, offers optimization potentials for both partners. Franz Wolf GmbH and Bosch rely on SupplyOn to organize their collaboration according to the VMI principle.

Numbered among the most important customers of the company is Robert Bosch GmbH who is connected to Franz Wolf by a more than 30-year supplier relationship. The collaboration was continuously expanded in the past years: In the meantime, Franz Wolf supplies parts to Bosch factories in Germany, the U.S., Mexico, India, and China.

„The parameters in our industry have changed very much in the last years. Deadline and price pressures force our customers and ourselves to greater flexibility and continuous efficiency increase,“ says Petra Kaiser who today manages the company founded by her parents. „That is why we need cooperation models that can meet these requirements.“ When Robert Bosch GmbH began to introduce VMI on the basis of SupplyOn, the supplier was the first of the project partners to be included.



### Vendor Managed Inventory with SupplyOn

SupplyOn enables the implementation of innovative disposition methods where the supplier assumes the management of his customer's warehouse. In the process, the stock on hand data and requirements are displayed, and maximum and minimum stock on hand is agreed for every article. On the basis of these data, the supplier schedules his customer's warehouse independently and can optimally plan his production process.

The project began in the middle of 2006. „After user training, we immediately started to control Bosch's consignment stock according to the VMI method,“ Kaiser recounts. „The initiation was trouble-free on the IT side, and because we had accurately analyzed our business process in advance, the utilization of the solution benefitted not only ourselves but our customer as well.“ Warehouse disposition according to the VMI approach was also accompanied by a few basic changes. Thus the consignment warehouse area was reduced

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General Manager, Franz Wolf GmbH, Kirchheim



by two thirds, which resulted in cost savings and a positive effect on the current assets for both parties. „Previously, Bosch provided us with relevant storage space, but we had to pay for that,” says Kaiser. „We don't need those spaces anymore, thanks to the vastly improved production and delivery scheduling.“

#### Lower costs, higher planning reliability

The basis for costs and process improvements is formed by the new disposition method. „Today we are informed about the needs of our customers early on and can plan the production processes and capacity utilization much more accurately,” Kaiser explains. Thanks to the VMI approach, the company can determine the delivery deadlines and lot sizes itself and bundle the deliveries. This becomes particularly apparent in the transportation frequency: Earlier it used to be necessary to deliver every day, and now one to two runs a week are sufficient - which enables massive cost savings.

Even the number of extra tours was sharply reduced, because SupplyOn guarantees accurate stock monitoring and informs the suppliers in time about imminent bottlenecks. „Whereas the classical delivery instructions only informed us about deadlines and quantities, the VMI approach gives us the actual stock situation and lets us respond early to critical developments. The greater self-reliance which we bear as suppliers and the insight we have about the customer's stock situation is why this is a great advantage for both sides,” says Kaiser. „Our production and deliveries are more process cost efficient and forward-looking. Our customer benefits by the high supply reliability.“ In the next stage, an interface between SupplyOn and the PPS system utilized by Franz Wolf will ensure the complete integration and automation of the entire process, from production planning to management of the consignment stock. Kaiser is counting on being able to implement more rationalization potentials.

#### An important contribution to competitiveness

Petra Kaiser does not see the use of SupplyOn just from a cost reduction and planning reliability perspective. „As a small company in a globalized market, we have to secure our position through quality, flexibility, reliability, and innovation, because we won't be able to endure a pure price competition,” Kaiser explains. „The use of digital processes today is the prerequisite for transparency and topicality of information and a central tool for sustained process optimization. Innovative processes such as VMI encourages the close and productive collaboration with our customers. That is why they are an essential contribution for securing the future for us.“

### About the Franz Wolf GmbH

Franz Wolf GmbH, founded 1970 in Kirchheim in the Bavarian region of Allgäu, is a prime example of a successful medium-sized company. Still family-owned today, the company specializing in the manufacture of technical precision parts by injection molding was able to hold its ground against the global competition. The company with a 25-member staff currently supplies customers from the automotive industry, electrical engineering, electronics, and telecommunications.

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