

Increasing the maturity of processes with suppliers in China – including an efficient invoice approval process for the "Golden Tax"

A global Tier-1 supplier has introduced SAP at its Chinese plants in order to optimize production planning. The project provided an opportunity to comprehensively optimize internal and external processes, including the introduction of an end-to-end label for supplied parts as well as an invoice approval process which supports the "Golden Tax" VAT invoicing system as required by the Chinese government. Working closely with the SupplyOn Consulting team, 130 suppliers were integrated into the process. The project was designed in such a way that it would then serve as a template for further Chinese sites and, in a modified form, for sites outside China too.

Challenges

The company faced the challenge of optimizing its production processes in China. The previous process allowed planning changes the evening before production. However, this flexibility came at a price: high stock levels, production downtimes and a high level of organizational outlay.

Furthermore, the packaging label used did not support the end-to-end processing of purchased parts from the time they are received until they are installed. As a result, time-consuming relabeling of the components was necessary in order to be able to identify them at all stages of the process.

The "Golden Tax" VAT invoicing system required by the Chinese government also meant an enormous amount of extra work – especially when invoices contained errors. In such cases, the registered invoices would have to be retrieved and corrected – at considerable outlay.

The SupplyOn solution

The recommendation from the consultants at SupplyOn was to fix production planning two days before production in order to reduce stock levels and organizational outlay and stabilize the production process. The supplier receives a preview notifying them of all forthcoming deliveries in the weeks and months ahead. This enables them to optimize their own production planning in the long term. The supplier is now informed of the exact time and quantity via a call-off shortly before delivery.

To optimize the internal processing of purchased parts, SupplyOn has developed a new label which covers the entire internal process from the time the goods are received and placed in storage until they are delivered to the production line and actually installed. The label contains all the necessary information for the process.

Last but not least, SupplyOn enabled an invoice approval process which ensures that only correctly delivered components are invoiced. This process precedes the "Golden Tax" VAT invoicing procedure and makes invoice complaints and the correction of registered invoices a thing of the past.

BENEFITS AT A GLANCE

- More stable production planning and lower stock levels thanks to a two-day "frozen zone" prior to production
- Simplified "Golden Tax" process thanks to prior invoice approval
- Greater efficiency when receiving goods thanks to an automated goods receipt process
- Greater efficiency when processing purchased components – from the time they are received, stored and then delivered to the production line until quality assurance – thanks to the introduction of a new label that contains all the information necessary for the process
- Simplified complaints process thanks to the automated booking of incorrect parts
- More efficient processes thanks to standardized, stable and transparent supplier processes

Project details

As part of the group-wide standardization of production processes, the individual ERP system with a functionally restricted supplier portal was replaced. This was superseded by an SAP system which is linked to the SupplyOn collaboration platform and for the first time allows end-to-end processes with suppliers.

The first step involved rolling out the new IT landscape in three selected plants. SupplyOn designed the project in such a way that it would serve as a template for all other Chinese sites too. Large parts of it can even be used for implementation at sites outside China.

Thanks to SupplyOn's standardized, tool-supported roll-out procedure, 130 suppliers were trained and integrated into the seamless electronic ordering, labeling and invoicing process in

just a few months. On the cut-off date – January 1, 2014 – the old system was switched off and the switchover to the new SAP and SupplyOn systems was accomplished successfully.

The new process immediately shows the supplier what parts the customer has booked and which ones are the subject of complaints. The supplier can also view the current stock levels in the customer's warehouse and enjoys full transparency as regards stock movements.

Thanks to a new invoice approval process, invoices are checked before being submitted. This ensures that the invoices registered for the "Golden Tax" are correct and prevents advance VAT returns having to be canceled again at great effort.

Prior invoice approval process simplifies "Golden Tax" VAT invoicing

