

MORE TRANSPARENCY, LOWER STOCK LEVELS AND REDUCED COSTS ON BOTH SIDES

By using Vendor Managed Inventory (VMI), suppliers become active players and take on responsibility for the stocks of their customers. They can view current stocks, supply within fixed and agreed maximum and minimum stock limits and thereby better plan their own production. The benefits for suppliers and their customers are obvious: more transparency, lower stock levels, reduced costs.

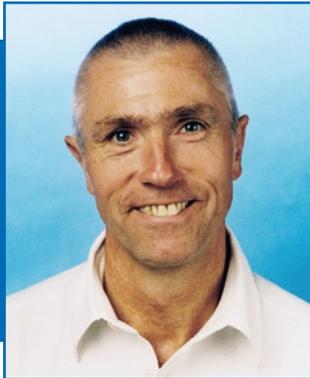
As one of the world's largest automotive suppliers, the processes used by the ZF Group are highly complex and the company procures huge volumes of material. This is why it is so important that ZF continuously optimizes the quality and efficiency of its processes. One of the company's focuses is on procurement processes. ZF continuously monitors and evaluates new management and organisational approaches in this area.

One of these approaches is Vendor Managed Inventory: a concept that enables the supplier to take on the task of planning its customer's warehouse. For this purpose stock data and requirements are displayed. In addition maximum and minimum inventory levels

on the basis of identical information. A wide range of tools is made available to the supplier to get a rapid overview of the current situation: For example, traffic light functions show immediately on which date and in which quantity particular parts have to be supplied.

Reduction in process costs

The VMI process is of particular benefit in the case of components that are produced in autonomous batch sizes. These are generally so called B- and C-parts such as simple turning workpieces or seals. "By using the VMI solution from SupplyOn, we have managed to significantly optimize the procurement of these parts," says Roland Dudichum, who is responsible



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responsible for customer and supplier logistics at the Truck Drive Technology division within ZF

are agreed for each item. According to this information, the supplying company disposes the stock of his customer independently. More than fifty suppliers now handle around 900 item numbers with ZF via SupplyOn Inventory Collaboration.

The data is loaded directly from ZF's SAP system into the Inventory Monitor and is updated on a daily basis so that the planners at both ends are planning

for customer and supplier logistics at the Truck Drive Technology division within ZF. „On the one hand, suppliers now have a much better understanding of our actual situation. On the other hand, we have been able to reduce the scope of physical processes and thereby save time and money.“ For example, the average transport frequency has been reduced by 30 percent over all suppliers. "Rather than ten processes, with

our VMI suppliers we often just have one," says Dudichum. "This means that a large number of processes in the areas of inventory management, transport and accounting is simply no longer needed."

Optimum inventory management

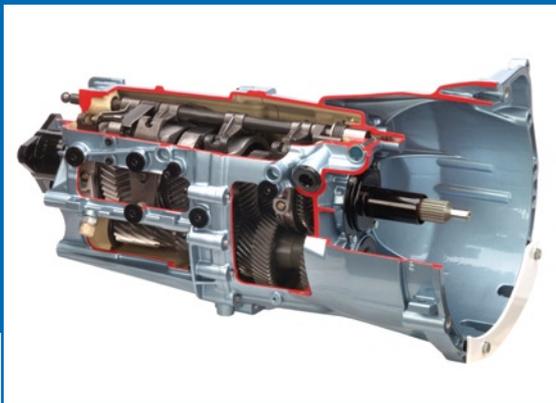
By using SupplyOn Inventory Collaboration, ZF's internal processes have become more transparent for suppliers. Whereas in the past all they could do was respond to the delivery schedule, they now have detailed information on the movement of parts and stock levels that is updated on a daily basis. The delivery of parts can therefore be planned optimally and warehouse stock levels reduced considerably. Since the project was started, stock levels at ZF have been reduced by a value of more than one million euros.

quality management tool offered by SupplyOn. We therefore have a very good basis allowing us to systematically analyze the performance and implement long-term optimization strategies," says Dudichum.

Benefits for suppliers

The VMI process is of particular benefit to those suppliers who do not yet have an extensive, highly automated system and do not use a classic EDI system. These companies can use the low-cost WebEDI solution in combination with SupplyOn Inventory Collaboration to establish an efficient system that greatly automates processes. While previously the delivery schedules had to be printed out by hand and manually entered into the system, the requirements can now be downloaded directly.

therefore take responsibility themselves for shaping the delivery process and also better plan their own in-house production and logistics processes. "You can very quickly and accurately see current warehouse levels and requirements and establish how long these stocks will last. Having this information, we can calculate the delivery volumes and dates ourselves. Rather than several deliveries with specific dates and volume specifications, we can supply larger volumes and reduce the frequency of such supplies," says Friedrich Grässle, managing director of Grässle GmbH, which has been supplying ZF with all kinds of components, such as locking and spring elements, valves and speedo shafts, since 1968.



The VMI process also offers benefits regarding the supplier performance and its measurement. Firstly, the greater involvement of suppliers in the production process results in a better understanding of ZF's needs. Secondly, compliance with delivery dates can be registered better and more accurately. „In the future, such figures will be integrated into the Performance Manager, the

Suppliers have both a greater amount of planning responsibility and more freedom when using VMI. They benefit mainly from the level of transparency achieved: With the standard process they were simply informed of the delivery dates and volumes recorded in the delivery schedule whereas now they know their customer's actual inventory and production situation. They can

SupplyOn AG
Ludwigstraße 49
D-85399 Hallbergmoos
Germany

Phone: +800.78775966
Fax: +811.99997110

SupplyOn North America Inc.
7 West Square Lake Rd.
Bloomfield, MI 48302, USA

Phone: +248.758.2300
Fax: +248.758.2301

info@SupplyOn.com
www.SupplyOn.com