

Digitalization of the supply chain with our Asian suppliers

Heiko Hartkamp, former head of purchasing STEINEL Solutions AG

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China is a major emerging market that can offer STEINEL a comparative competitive advantage in the procurement of the parts, merchandise and services it needs. It is not only economic hurdles that have to be overcome to be successful.

Challenge

It takes several trips to China to understand the country, its people and its relentless ambition for growth and progress at least rudimentarily from a Western perspective.

Not only the language or eating habits are foreign to the western world, but also mentality, culture, behavior and the economic as well as political thinking often leave the outside observer in the dark.

Procurement processes and purchasing activities with Chinese suppliers can therefore be very extensive, if not extremely costly from a TCO perspective. It is all about transparency, about bridging distances and cultural discrepancies - yes, it is especially about a uniform, simple communication policy, the information of which must be available to Steinel and its suppliers and forwarding agents at all times, comprehensibly, correctly and to the same extent.

Decision

In cooperation with the logistics service provider M+R Spedag Group, Steinel has already called for a joint project in 2013 to make procurement processes between the European Steinel plants, its Chinese suppliers and logistics partners transparent and efficient. The overriding goal was to evaluate potential procurement risks in time, to intervene and to avoid them. The focus was always on the use of a common information platform and the standardization of processes.

After successful procurement process analysis and process optimization, the M+R standard product "Order Management System (OMS)" was customized to Steinel's needs in several joint project steps to a supply chain tool and digitalized in various project milestones (originally mainly manual sub-processes).

This decision was not only a change for the internal procurement system at Steinel's European locations, but also for the Asian suppliers, for whom it initially resulted in a considerable adjustment in their usual day-to-day business, order handling and communications. It was therefore important that before the official "Go Live", selected A-suppliers were invited for an exchange and together we were able to adjust the system in such a way that on the one hand it meets our requirements and on the other hand offers a benefit for the suppliers. Only after the official "Go Live" and after system test runs, all suppliers in East and South China were invited to workshop seminars, the new common basis of cooperation was presented and finally went live.

Result

By implementing the IT-based Supply Chain Management System in the procurement process between Asia and Europe, not only a significant increase in efficiency and streamlining of the ordering system could be achieved. A communication and joint work platform was created. On this platform, the entire procurement process is systematically digitalized (from the creation of the order to the confirmation of the delivery at the destination by the forwarder in Europe) along defined guidelines. Through the definition of these guidelines for Asian suppliers (e.g. for the creation of the invoice and delivery bill) and the connected forwarding agencies, the clarification of possible errors and sometimes tedious discussions has been almost completely eliminated. The following project milestones, among other things, were gradually digitalized:

- Quantity contract and PO management
- PO Acknowledgement
- E-booking
- PO and shipment tracking
- Document creation (e.g. commercial invoice and packing list)
- Update of the production status
- Event notifications and reports
- etc.

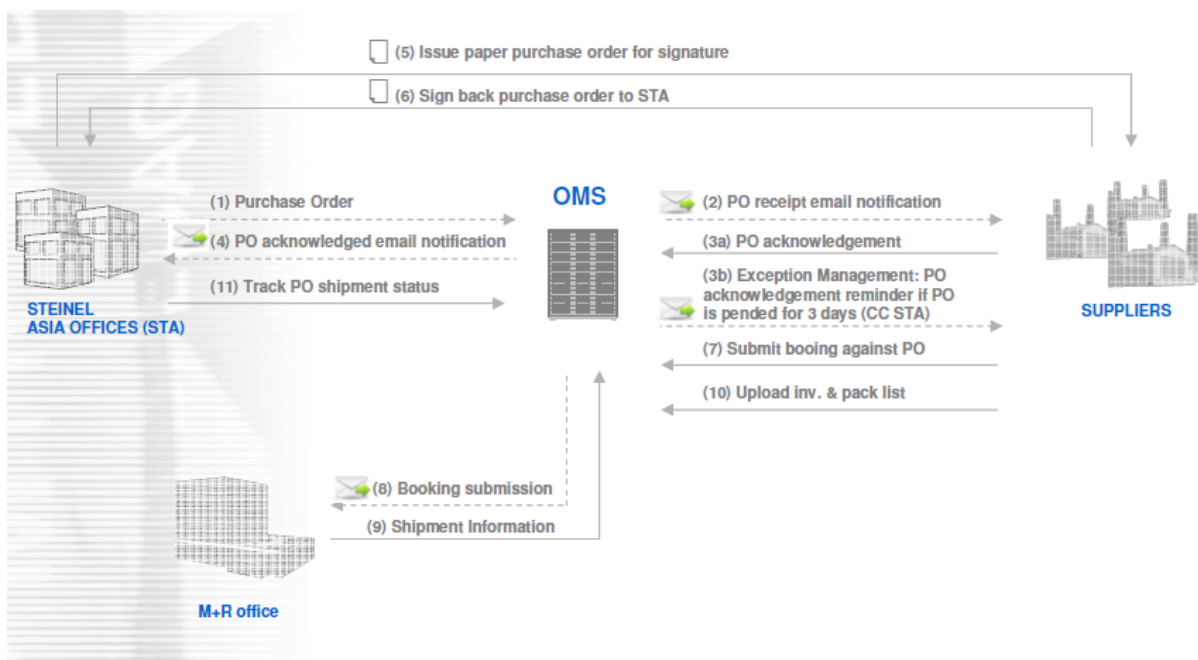


Figure 1 Section of the Process Flow OMS

Furthermore, we are able to permanently measure the performance of Asian suppliers. Evaluating past performance indicators is one thing, but the decisive factor is that so-called PPI's (Predicted Performance Indicators) contribute to potential problems in meeting delivery dates and quality requirements in a timely manner (i.e. already at the supplier in Asia) and to set a lever in the elimination of the weaknesses with the aim of supplying the European Steinel locations and especially our customers on time and in the right quality ("Solve the problem in Asia already today, which could become one in x weeks at the destination in Europe").

So far this has contributed to a measurable success. Above all, the delivery rate has almost doubled to almost 96% and the reject rate from almost 20% in 2012 to now <1%.



"Working together today on the problems of tomorrow in international procurement and at the same time providing motivation for value-adding activities - these were key objectives in the digitization of an efficient supply chain. This benefits not only our own production sites, but ultimately also our internal and external customers in particular."

Heiko Hartkamp, head of purchasing STEINEL Solutions AG

Conclusion

The implementation and the continuous development of the IT-based supply chain has been and still is a great success. Not only proven by the positive results that we achieve through the digitalization and optimization of operational processes. It is also a cooperation between our logistics service provider in Hong Kong/ China/ Taiwan/ Germany/ Romania/Moldavia and Switzerland, the involved employees at the Steinel locations and the Asian suppliers, which finally resulted in motivation and closer intercultural cooperation. It is a cooperation and a work of people, who brought in a lot of energy and know-how, for the creation and permanent optimization of a sustainable cooperation.



"The OMS is a groundbreaking and future-oriented instrument. Its capabilities go far beyond the management of purchase orders. It combines in a web-based platform all the tools for an efficient, effective and transparent supply chain."

Benno Hägler Head of Sales Switzerland, M+R Spedag Group AG

About STEINEL Solutions AG

As an OEM partner with 120 employees in Switzerland, STEINEL Solutions AG serves its customers with a service package comprising consulting, product development, industrialisation, manufacturing and services from the idea to the finished product - in the spirit of a one-stop store.

With sensor technology, communication, low power management and approval management as its development expertise, the company creates customer-specific product applications and tailor-made solutions and counts both well-known market leaders and numerous hidden champions among its customers.

Thanks to its membership of the STEINEL Group, STEINEL Solutions has access to a Europe-wide network. Depending on the product life cycle and market success, there is therefore the possibility of scaling up quickly and adequately and extending series assembly of large-volume products to other locations.

About M+R Spedag AG

The M+R Spedag Group is one of the leading independent Swiss logistics companies. With more than 2,000 employees, it generates sales of over CHF 650 million. The group operates with its own companies at 62 locations in 24 countries and has a worldwide network of partner agents.