

Supply Chain Management (SCM)

Challenge of better efficiency and service

Supply Chain Management may bring efficiency, business service and profitability to a wide range of businesses. Tieto provides SCM solutions for many global companies of manufacturing industries.

“A key question from our customers is: how do I react quickly to changes, on one side in cost – for example raw material costs – or on the demand side, when the sales forecast or customer situation changes from a demand perspective?”, says Tieto’s SAP Alliance Manager Robert Kaup.

Supply Chain Management (SCM) encompasses everything from movement and storage of raw materials; production planning and execution; work-in-process inventory; warehouse management; logistics and supplier relationships, through to delivery to the customer. “The idea is that there should be systematic and strategic coordination of these processes – and ease of access to accurate information is everything”, Robert Kaup explains.

Integrated solutions provide customers, at a single glance, with all the information they need to make a decision immediately and the ability to communicate that decision forwards. For instance, enabling sales and operation planning function to see, what is the impact of demand changes on profitability and on mill and machine utilization.

Transparency helps to improve business

Supported by integrated IT solutions organizations can see all the impacts along on the supply chain. It leads to a transparency within the company and also with the customers. Improvements in business processes should lead to increased service levels as well as to cost savings.

“Let’s say you have generic, standard products that you can sell to different customers, differentiated by labelling or packaging. With the SCM system you can reduce the stock out you have for make-to-stock support for customers, therefore supplying a better service level in reducing your total stock out”, describes Robert Kaup.

The Vendor Managed Inventory service (VMI) allows companies to offer an auto-automatic replenishment service based on electronic interfaces. “For instance, in the paper industry, when rolls are consumed by the customer this information is given directly back. With this information, plus the forecast information, the system can complete the correct replenishment orders”, says Robert Kaup.

The customer can also be provided an accurate delivery date as soon as the order is placed. One of the consistent improvements of SCM includes a reduction of working capital.

“A recent customer who introduced our SCM system moved from a 100 per cent make-to-order business, to 80 per cent make-to-stock and 20 per cent make-to-order business. Because he did not have dedicated customer stocks any more, he has a generic make-to-stock process and he was able to lower his average stock levels by 30 per cent. Meaning a reduction on the working capital side”, describes Robert Kaup.

From goals to implementation

Tieto provides industry specific SCM solutions for the manufacturing companies globally. In addition to the manufacturing industry, IT services are offered to automotive, financial services, telecom and media, healthcare and welfare, energy, retail and logistics industries worldwide.

The practical implementation of the integrated SCM system usually starts with a definition of goals together with a customer.

“We usually start with a definition of goals and targets - checking against well-known key performance indicators and industry benchmarks. Then, through our deep experience of the industry, we can balance the customer’s goals and our experience and also target future visions,” Detlef Eichhorn explains. Detlef Eichhorn heads Industry Offering for Industrial Manufacturing Unit at Tieto.

The transition may mean a big change for people and for the whole organization – especially if the customer is used to home grown system – but with the experienced supplier the business transformation can be run rather smoothly.



Detlef Eichhorn, Head of Industry Offering for Industrial Manufacturing Unit and Robert Kaup, SAP Alliance Manager, Tieto

“The change in IT solution brings a positive change and harmonization in business processes in the medium-to-long term. After about six months you can really explore what the new transparency and new benefits are about”, says Detlef Eichhorn.

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