

# Visibility and control improves on-time deliveries and reduces costs



## CASE STUDY: CUMMINS GENERATOR TECHNOLOGIES

**In order to meet its challenging company vision, Cummins Generator Technologies need to improve collaboration between themselves and its trading partners. It needed a central access point that provided visibility, control and exception management and allowed it to react to customer demand changes immediately. Using Wesupply On Demand Electronic Trading it has improved on-time deliveries, reduced showstoppers and reduced premium freight costs.**

### BACKGROUND AND CHALLENGES

Cummins Generator Technologies is a world leader in electrical power generation and distribution equipment serving the power generation, power quality and power protection market segments.

The Company has a proud heritage in electrical machines, electronic devices and manufacturing systems dating back almost one hundred years. A history of continual growth and innovation over this period has created a strong global company employing over 2700 people across 27 locations in 15 countries.

In 2003, the Company's executive team set a challenging vision for the company's supply chain - Zero Lead Time - Zero Admin - Zero Defects. To

achieve this vision much work needed to be done to improve collaboration between themselves and its trading partners.

### Error Prone Manual Processes

The processes for communicating demand and fulfilment information with suppliers were based on fax, telephone and email. Cummins Generator Technologies realised that by using manual processes it had many and varied issues which were costly, inefficient and creating a wasteful environment. There was considerable potential for error with the pre-existing schedule and forecast sharing process. Once a schedule had been provided to a supplier it was impossible to provide changes to the information that allowed the supplier to accurately synchronise delivery with actual demand. This meant that the supplier would deliver item quantities that were not required and in some cases use premium service deliveries for urgent items.

### No Visibility

Once an order had been released by Cummins it had no visibility as to whether the order had been shipped or indeed what was in transit. Issues with orders were only discovered when the goods actually arrived at goods-in. This would then lead to a dialogue between two individuals from Cummins and the supplier to agree a course of action, with no visibility to a wider audience. Cummins Generator Technologies has a particularly complex supply chain with high and low volume parts being produced both in the UK and in other parts of the world, and by using these inefficient communication

processes it meant that the company was not getting the visibility and control that it needed to ensure that the overall planning and scheduling processes were able to react with customer requirements.

- Late deliveries were estimated to cost Newage £780k in 2004.
- Specific supplier capacity issues cost in excess of £150k per annum in premium freight and dual sourcing

*“Essentially, we had decisions being taken in isolation with little consideration for the consequences that rippled through the supply chain. We needed a central access point that provided visibility, control and exception management.”*

**Gary Cameron**, Materials Supply Leader.

The situation was also compounded by the inability to react to customer demand changes immediately as Cummins could not rely on its supply chain to deliver accurately, on-time and in full. The processes in place were rigid and inadequate for Cummin’s demand driven environment.

## THE SOLUTION

In early 2003 Cummins decided to investigate the market for a solution that would enable the sharing of common, real-time critical information across its supply network. More specifically it wanted a vendor that could measure their success against the following criteria:

- Improvement in on-time delivery
- Reduction in showstoppers
- Reduction in premium freight costs

Its key objectives were to:

- Provide customers with short but achievable lead times
- Improve communication with suppliers through greater visibility across the supply chain
- Enhance inventory and ‘Goods Received’ accuracy

Cummins was looking for a vendor that could quickly implement a cost effective but functionally rich collaborative solution. After a rigorous selection process, Wesupply was selected based on its depth

of functionality, speed of implementation and time to benefit.

*“We knew that the supply chain was an area where we could benefit from savings, while moving us towards our vision. Wesupply was quick to identify high value opportunities within our supply network and allowed us to electronically connect to the nodes on that network extremely quickly. This electronic communications platform then allowed us to enable key collaborative processes, such as Kanban to drive efficiency, while at the same time delivering an improved ROI.”*

**Richard Elenor**, Plant Manager at Cummins Generator Technologies

To obtain positive KPI’s at the end of the project Cummins needed to:

- Trade electronically with all suppliers, regardless of size or IT capability
- Provide real-time access to ‘requirements’ for all suppliers
- Alert suppliers of new orders, changes and forecasts
- Seamlessly integrate with MAPICS for an end-to-end solution

## INTELLIGENT BENEFITS

- 15% Improvement in on-time delivery
- 87% Reduction in showstoppers
- 100% Reduction in premium freight costs
- 25% improvement in invoice matching, increasing business volume and saving on resource costs.
- £300 - £500k per annum saving resulting from more efficient manufacturing.

## VIEWPOINT

*“This kind of intelligent supply chain collaboration is already several steps ahead of any EDI offering, which simply moves data from ‘point-2-point’. Wesupply connects and then enables our supply network, allowing meaningful information to be shared with all participants.”*

**Gary Cameron**, Materials Supply Leader, Cummins Generator Technologies