

Improve business performance and customer loyalty in 5 steps



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Executive summary

Like most businesses today, manufacturers face a variety of factors that can impact the performance of their company. Many of these business variables are beyond an organization's control, such as the rising cost of energy and materials, global competition, and the introduction of new regulatory mandates. But they all directly impact the cost of goods sold, influence the final price, and continually put financial performance in jeopardy. The way that a company responds to these factors can impact long-term customer satisfaction and loyalty.

There is no question that the escalating cost of fuel and energy, as an example, will continue to drive up costs at every level of the supply chain. Global competition will also continue to force manufacturers to keep their prices low, tightening their profit margins as a result. Organizations that have proactively outsourced labor-intensive production to lower cost regions of the world may be able to apply even greater pricing pressures on the rest. This leaves smaller and less agile producers with further reduced profit margins and the risk of losing long-time customers. In fact, according to a study by Industry Week and the Manufacturing Performance Institute, as shown in Figure 1, of the 914 manufacturers surveyed in the study, 74% see foreign competition as a threat.¹

As companies struggle to adapt to these financial challenges, they can quickly lose sight of their mission and value proposition while they focus on internal cost management issues. And while cost management is critical, it is not the sole element of a winning strategy for long-term business performance. Customer service, product quality, and delivery performance typically are affected during the process of reducing costs, and if not managed properly, can lead to customer dissatisfaction, and in some cases customer erosion. It is possible, however, to leverage these elements as positive differentiators and make them strengths for improving customer retention.

Figure 1:

	All Plants	U.S.	Canada
Number of Plants	915	782	133
Significant Threat	14.5%	13.4%	21.1%
Moderate Threat	24.5%	24.3%	25.6%
Slight Threat	35.1%	36.1%	29.3%
No Threat	25.9%	26.2%	24.1%

Source: Manufacturing 2007 Executive Summary

¹ Manufacturing 2007 Executive Summary – based on finds from the Industry Week / Manufacturing Performance Institute 2006 Census of Manufacturers conducted in the U.S. and the 2006 Canada Manufacturing Study, conducted by Advanced Manufacturing and the Manufacturing Performance Institute.

In the meantime, these and many other factors have enabled unlikely competitors to threaten businesses that have long held a secure position in their market. Manufacturers begin to ask themselves questions, such as: Why do seemingly dedicated, long-time customers move to a different supplier all of a sudden? Do manufacturers really understand what drives their customers' purchasing and supplier selection decisions today?

And what can manufacturers do to defend and secure their long-term viability as a supplier in the face of rising costs and declining prices? How can value-added services and customer support structures be preserved when profit margins are getting squeezed? What steps can be taken to grow and sustain a loyal customer base?

Price pressure is often blamed as the reason for the loss of a customer. But is price the only reason? As markets consolidate, larger suppliers emerge that are able to lower their pricing through economies of scale and lower cost production. This often leads to some shifting of brand loyalty, but is not necessarily enough to sustain long-term success. Therefore, how can small and medium-sized manufactures position themselves to succeed? Lowering costs is an important aspect, but simply cutting costs is not enough, and often leads to the wrong costs getting cut.

Rather than trying to compete strictly by reducing costs, manufacturers must stay close to their customers, understanding and exploiting the unique value they have to offer in their marketplace. As SMB manufacturers get more sophisticated and fight back, they can take charge of their market by considering 5 steps to improving business performance and sustaining customer loyalty:

- Continuous measurement and improvement
- Product innovation and quality
- Delivery speed and agility
- Lean and "green"
- Proactive alert and exception management

Each of these steps represents specific areas that can either improve your business performance directly through improved efficiency, or can set you apart from your competitors and help you to differentiate through product quality and innovation, delivery excellence, and corporate citizenship and company values. It is often said that people buy from people, and that they want to know they are buying from people they can trust and depend on, and that the products they buy are not detrimental to the environment. In many cases, customers will pay slightly more for better quality, more dependable service, and for the right technology and innovation that will help them to improve their own costs and efficiencies.

Continuous measurement and improvement

For many companies, measuring their business performance is the last step they take when launching a new business improvement initiative. Unfortunately, not reassessing the business metrics can be just as debilitating as not reassessing the business processes and procedures first. It is critical to know what you are looking to achieve, and at what point you will be successful, before setting out to make changes. Companies must look within and honestly determine:

- Where is my business today?
- Where would I like it to be in the future?
- What is the plan to get there?
- How will I know when I am done?

Therefore, the key is to determine the right metrics that will help you to continually improve:

- Product quality
- Product innovation
- Product delivery
- Product profitability
- Time to market
- Market share
- Corporate citizenship
- Customer satisfaction and loyalty

Understanding why products are selling, where they are selling, who is selling them (if you distribute through a channel or through reps.), and who is buying them can all help you to adjust your business plan and production plan. A good first step—and one that should be repeated on a regular basis—is to conduct a customer survey to find out why your customers buy from you, what they like about working with your company, and what they feel is not working or could be improved. Explore the qualities of your business with them, and why they chose you over another company. Taking a regular temperature reading through a neutral resource will help you to begin to understand what your true value is in the market and to your customers. It is also good to survey customers who decided not to buy from you, or who used to buy from you and have switched to another supplier. Was price, delivery lead times, delivery accuracy, or product quality the reason for the switch or decision not to buy? And if those objections were to be removed, would they do business with you then?

This new information will provide some initial insight into areas that are directly contributing, either negatively or positively, to your performance. By categorizing the feedback into product, sales, services, and operations, you then will be able to focus on developing department-level metrics. Department-level metrics to consider include:

- **Product** – including engineering and design, production and quality.
- **Sales** – including sales and marketing, inventory availability, and shipping.
- **Services** – including customer service and support, warranty and repair, and field service.
- **Operations** – including accounting, purchasing, supplier management, legal, corporate citizenship, and resource management.

Each departmental set of metrics should maintain the theme of centering on customer-specific metrics. At the core of establishing best practices is making a switch from traditional accounting to throughput accounting. Traditional accounting metrics unfortunately obscures our view from those measures that can actually contribute to improved business performance. In the past, measures such as product cost, labor cost, general overhead or burden, as well as finished goods inventory cost were evaluated and measured. These costs cannot be leveraged to improve your performance. Conversely, customer-centric metrics look at the value-added elements such as: on-time delivery, lead time reduction, and throughput and profitability. Examples of key performance indicators (KPIs) to consider in each departmental area include:

Product	Sales
Product lead-time in (hours/days/or weeks) On-time delivery percentage Design-to-delivery time Conformance with specification percentage Market share ranking and percentage on an annual basis	Customer retention year over year Maintenance plan renewals (if applicable) New customer adds by month/year, and by region and channel. Sales volumes by: <ul style="list-style-type: none"> • Month • Region • Rep./Channel • Promotion
Operations	Service
Throughput value Throughput increase by month and by year Supplier on-time delivery Supplier return percentage	Support call time to first response First-call resolution percentage Customer satisfaction ratings/percentages by month Warranty and repair tickets as a percent of customer base

Once the metrics have been established by department, each functional area should utilize a Business Intelligence dashboard or reporting mechanism to track specific KPI improvements, and make changes where necessary. UltraSource™, Inc., a Hollis, New Hampshire, innovator in the field of thin film technology serving the aerospace, telecommunications, medical imaging, and biotechnology markets, was realizing moderate success as a business, but lacked the business intelligence tools to reach the next level of growth. Even after adding staff and realizing short-term results, they were not able to sustain their momentum with adding resources alone. And like countless other companies that experience rapid growth, UltraSource was losing focus on the value-add processes that provided its customers with the service and quality they demanded.

Previously, UltraSource had been using a combination of departmental databases and spreadsheets in an attempt to measure and manage their performance. As Jeff Bergart, CFO for UltraSource, explained, “We needed a systematic way of measuring and codifying what we do. We were convinced that a transformation to lean manufacturing was necessary if we were to successfully reach our goal of market leadership in the thin film industry, but we were trying to do lean manually. By using Infor ERP VISUAL to gain better visibility into our operations, in the form of business intelligence dashboard tools, we were able to monitor our progress and make adjustments as needed. And in addition to the manufacturing process, we were able to use Infor ERP VISUAL to help us monitor and streamline all of our operations throughout the business, including purchasing, inventory, sales, and finance.”

After a short but intensive 3-1/2-month period, UltraSource began to see significant results throughout the business. “We expect to see fewer mistakes,” Bergart comments. “And we expect to have more instant access to important information in serving our customers and managing our business more efficiently. By minimizing the number of mistakes we make, we improve the quality of our products. Fewer mistakes mean less rework and less wasted material. Measuring our performance makes us more productive and helps us manage the business more profitably. Ultimately, we’re expecting these tools to help us significantly increase our output without adding staff.”

With the introduction of new tools to measure performance, companies can leverage technology to proactively manage exceptions and gain insight into key metrics and business trends. Most organizations have also found that exposing these key performance measures and scorecards to all employees, such as posting monthly trend results on a bulletin board, greatly assists in gaining company-wide support for improvement efforts. People like to aim for goals, and making goals visible and tangible can help you to motivate your workforce. Establishing a reward system to promote achievement and to solicit ideas for improvement is also suggested to help sustain your business improvement initiative.

Product innovation and quality

Although most manufacturers may have established themselves in their market as a leader through some unique innovation or service, markets continually evolve and change—sometimes with little warning, and go unnoticed until a customer calls to say they are taking their business elsewhere. As markets change and larger global competitors emerge, it is easy to lose sight of your core competencies and what made you unique. For many companies, a focus on near-term sales and responding to the needs of one or two larger customers can easily result in a short-term gain, but could also allow a competitor to swoop in and introduce improved products that have new features and broader appeal. It is more critical than ever to keep a regular pulse of your customers and your market. This should include research beyond the here and now of what customers like and dislike. You should also evaluate any new and emerging challenges that exist for your customers by conducting executive-level roundtables. What keeps them up at night? And what are the challenges threatening their businesses? What products and services do they see a need for in the future? Is their business growing, declining, or leveling off? Understanding where their market is going, and what is driving your customers' businesses will enable you to continually innovate and improve the products you offer. In other words, what is most important to your customers?

In reviewing the market, how fast are your competitors coming out with new products? And as new standards and regulations emerge, how quickly are you responding versus your competitors? Using the performance measure of time to market, gauge how long it takes to bring product to market from concept to first shipment. How does this compare in your industry? There is likely data in your industry for the typical new product introduction, and tools exist to measure and manage this process. Market windows are continuing to shorten, and taking too long to bring product to market can significantly impact your market share and revenue growth. In addition, customers will gain a sense of which suppliers seem to be able to introduce new innovative products more quickly and more frequently. By involving the customer base in the design and product launch process, it can establish a level of expectation and anticipation for new product launches, and establish your organization as the leading innovator in your market.

The Video game console market is a good example where innovation, time to market, and product quality are critical success factors. The competition between Sony®, Microsoft®, and Nintendo® has been fierce for years and has seen many changes in the leadership position due to these factors. Although originally the market leader in the 1990s, Nintendo would find itself unseated by rival Sony, and eventually by Microsoft, which was new to the video-game industry. Sony was able to capture the top spot over Nintendo first by leveraging improved display graphic resolution and by providing a better overall user experience. When the market evolved again and display technology jumped to high definition (HD) resolutions, the leader was able to leverage time to market in addition to innovation to capture the lead. Microsoft and Sony both had HD versions of their products in development, but it was Microsoft that was able to deliver first, making Microsoft the market leader almost overnight. Both of these changes in market leadership were realized largely as a result of both suppliers leveraging innovation through common technology advances that all suppliers had access to. However, Microsoft was able to dominate through its ability to shorten the time to market.

Microsoft's dominance could have been even greater had it not encountered product quality issues soon after units began to ship. With Microsoft's quality issues, coupled with sometimes scarce inventory, Sony was able to maintain some of its brand loyalty. The market would then see another change when Nintendo—almost forgotten in the industry—was able to create its own innovation rather than waiting for the hardware suppliers to pave the way. In launching the Wii™ console, Nintendo provided the added differentiation and innovation of a motion-sensitive remote control wand, allowing for a revolutionary, interactive video game experience. Through this innovation, Nintendo has been able to regain its leadership spot and has broadened its market to a whole new target audience of buyers with a broader appeal to all age groups and demographics. Through an ability to introduce its own innovation, Nintendo now outsells the Sony and Microsoft products combined. And in spite of Nintendo's extended absence from the competition, it was rewarded for its ability to eventually provide critical new innovation. Microsoft, although plagued by some early quality issues, was able to capitalize on time to market. Therefore, innovation and time to market became the most significant critical success factors in this market.

The lesson learned from these manufacturers is that even with stiff competition and a loss of market share, it is possible to recover from these obstacles. Providing innovative new products or adding more value to an existing product that exceeds the needs and requirements of the target market can make a difference. While there is a chance to recover from quality issues, minimizing them is critical to taking advantage of a strategic market window of opportunity. Consider capabilities that can help to bring new innovations to market faster and mitigate quality issues in the process, including:

- Centralized document and project management to ensure that all relevant and up-to-date product planning and lifecycle documents can be accessed by team members
- Company-wide task management and based collaboration tools to manage product launch activities, access employee work overload conditions, reset priorities, and manage human resource assignments
- Workflow technology to push information proactively through the organization so that the project stays on track
- Non-Conformance Management (NCM) to detect, assign, track, and address exceptions immediately for reduced scrap and rework at the shop-floor level

Delivery performance and speed

As product lifecycles and new product introduction timelines shorten, customers respond positively toward supplier performance and responsiveness. They also have a lower tolerance for missed due dates and a supplier's inability to respond quickly to changing needs and priorities. It is critical, therefore, to employ strategies to improve delivery performance and shorten order-to-delivery cycle times as well as be able to flexibly and rapidly respond to short-term demand requirements. Doing so can be a strategic advantage, and can foster long-term customer loyalty. But it must be done consistently. Employing a lean methodology is one of the best ways to ensure faster delivery, significantly reduce production costs, and improve profitability.

Traditionally, manufacturers have adopted "push"-based production methodologies such as those promoted by the use of Material Requirements Planning (MRP) systems. Even today many contemporary Enterprise Resource Planning (ERP) systems continue to use this methodology, which promotes standard lead times and infinite production capacity. These planning constraints actually came into existence as a result of make-to-stock-oriented production models and limitations in computing power in the 1960s and '70s. Companies have also traditionally adopted cost accounting methods that focus on individual unit cost reductions and grouping large runs of the same product together to economize on production set-ups. The net effect was increased work in process, increased inventory, and accompanying increased costs and lower profitability. Lean manufacturing, on the other hand, employs a "pull"-based or demand-driven methodology, and is predicated on producing product directly only as the result of a customer order. The notion of traditional cost accounting is replaced with a concept of throughput accounting, which looks at overall cost reduction. Throughput accounting focuses only on the variable costs, such as materials and outside services. The company focus becomes one of selling more products and manufacturing only to customer-specific orders. As a practice, lean can help the organization free up additional capacity to work on customer-driven orders once they are no longer simply building to forecasted demand.

As an example, UPCO, Inc., a leading US-based oil field equipment manufacturer, had been held back in its ability to expand its capacity due to long manufacturing lead times, excessive work-in-progress inventory, and lower productivity than the company desired. All the while, demand was growing in its market. Unfortunately, UPCO was unable to handle the additional capacity because of the efficiency problems.

Through the process of implementing a new ERP system called Infor ERP VISUAL, coupled with Infor ERP VISUAL Easy Lean scheduling software, UPCO was able to understand where it could improve upon its workflow and efficiency. Easy Lean is a scheduling solution that helps companies dramatically reduce lead times, increase on-time delivery performance, improve productivity and profitability, and enhance customer service. Unlike traditional scheduling systems, Easy Lean is a pull-based versus push-based solution that uses market demand as the trigger for releasing work to the shop floor. Throughout the discrete manufacturing industry, Easy Lean often has reduced lead times and work-in-progress inventories by as much as 90%, while improving on-time delivery and fulfillment rates by 99% or better, often in 90 days or less.

UPCO's managers were able to immediately make better decisions to release inventory at optimal times and to improve production priorities. The solution created work orders based on customer demand or when quantities dipped below replenishment levels and provided detailed reports and performance measurements on throughput and value added to the bottom line. The newly added Infor technology rapidly enabled UPCO to reduce both work in progress and manufacturing lead time by 50%. Simultaneously, productivity rose from \$65 to \$70 per man-hour to \$147. Moreover, UPCO was now able to accommodate 35% more business as a result of:

- 50% reduction in manufacturing lead time
- 50% reduction of work-in-progress inventory
- Doubling of productivity levels
- Significant workflow process improvements
- Fast return on investment

"We realized significant benefits from Infor's recommendations even before we installed Easy Lean," reports UPCO President Bill Ridenour. "With Easy Lean, the scheduling and workflow processes became manageable and routine. Every operator in the factory can now see and follow the right priorities. Now, I can allow my plant manager and vice president of sales to be out of the plant at the same time, which is the ultimate test."

Adopting a lean manufacturing philosophy does require a new way of thinking because it requires business process change and cooperation from all supporting organizations. Key to a transition to lean is company-wide buy-in; endorsement and active participation by the CEO is crucial to success. Lean manufacturing can also have many other positive effects, including elimination of product defects, reduction of procurement transactional costs, reduction of lead times to support demand-driven and pull-based strategies, and on-time delivery accuracy to ensure there is not a negative impact on the demand side of delivery performance. This more agile and response-driven philosophy improves on-time delivery, helps the bottom line, and helps to secure customer loyalty. It is critical, however, that the manufacturer not only become lean, but also carry over to the supply chain partners. To be truly lean and agile, you must have a lean, flexible, and agile extended supply chain.

Lean and “green”

While product innovation, time to market, and quality improvement have long been a visible concern of manufacturers, managing equipment assets has not typically been at the forefront of the manufacturing agenda. However, with the rising costs of fuel and energy, asset management should be the next step you take in addressing business performance and customer loyalty. Manufacturers have always had an eye on the usage of their equipment and facilities, since proper asset management can help to sustain the life of the asset, as well as reduce maintenance and repair costs. However, many progressive companies are realizing that these traditional approaches to enterprise asset management are no longer enough. Increasingly, manufacturing leaders realize they also must now proactively manage the combined challenges of rising energy costs and increasing public and government focus on environmental concerns, such as emissions of carbon dioxide and other pollutants. Minimizing energy consumption to contain costs, combined with raising the stakes as a “green” or environmentally friendly organization, can set you apart from your competitors.

To be considered a progressive company today, you need to surpass the requirements of governance and compliance mandates, and demonstrate true corporate citizenship that extends beyond the minimum requirements. Whether it is called social responsibility, environmental sustainability, or environment commitment, the leading Fortune 500 organizations have embraced this notion of corporate citizenship. In fact, 18 of the top 20 Fortune 500, which include representation from energy, retail, manufacturing, banking, insurance, and healthcare industries, have dedicated content related to their corporate citizenship policies on their website. A good place to start with a corporate citizenship initiative is to build enterprise-wide awareness of company policies on a safe and healthy work environment, including any efforts to minimize energy consumption and reduce hazardous materials and pollutants in the workplace and into the environment. Next, add asset performance to your key performance measures, including energy consumption. By integrating energy with other asset performance parameters, you will have a more complete picture of how each asset is performing and what impact it has on your business. In the process, be sure to:

- Consider tracking energy consumption for individual assets.
- Monitor assets for compliance with existing and impending regulations.
- Incorporate Asset Sustainability Alert Management capabilities to monitor how equipment is functioning against established KPIs with notification of issues to prevent equipment failure.
- Include Preventative Maintenance and Action Management capabilities to determine the appropriate action needed to address an identified anomaly or event.
- Use Asset Sustainability Planning tools to facilitate design changes in your asset infrastructure that reduce energy consumption, lower emissions, and save you money. Using the Global Asset Sustainability (GAS) index, you can integrate energy metrics with other asset performance data to determine whether a piece of equipment should be repaired or replaced.
- Include energy and other environmental factors into the asset maintenance decision process.

By better understanding the energy performance of each asset, you can drive out inefficiency and cost from your operations. You can also begin to integrate energy metrics with other asset performance data to determine whether a piece of equipment should be repaired or replaced, or identify the most energy-efficient supplier technology that is compatible with your asset infrastructure. It will also enable you to begin to compare alternative energy scenarios. Alternative energy not only can allow you to practice good environmental stewardship, but it also can provide additional cost savings. Most states now provide energy efficiency tax credits and renewable energy rebates to companies that meet their environmental program criteria.

As larger companies take the lead in establishing “green” initiatives, small and medium-sized businesses will need to follow suit in order to compete. In spite of the effort involved, the benefits of doing so are significant. Traditional asset management practices enable you to gain insight into only about 35% of your asset expenses. And although that has typically enabled organizations to make tangible improvements in the efficiency and cost-effectiveness of their asset infrastructure, it hasn’t addressed energy consumption, which is by far the largest expense in most operations and maintenance budgets. Taking asset management to the next level will allow you to proactively manage rising energy costs, minimize the emission of carbon dioxide and other pollutants, and demonstrate an ecologically responsible posture in the market. In addition to the cost savings, it can be a compelling differentiator and marketing message to like-minded organizations that are looking to partner with eco-responsible suppliers. Now you can go green and have a positive business case at the same time.

Because Mohawk Fine Papers, a producer of premium writing and printing papers, has many large, high-profile customers, there has been increasing concern placed on their social responsibility. And with growing awareness of climate change, many of these companies are seeking to reduce not only their own environmental footprints, but also those of their suppliers. “Large companies continue to need paper in order to communicate. But the medium needs to match the message,” says Joe O’Connor, senior vice president of sales at Mohawk. “If you’re going to produce a piece that discusses your company’s environmental initiative, it had better be on a product that helps you speak that message.” To meet such client needs, Mohawk now designs and markets environmentally friendly papers. Mohawk has a historic commitment to stewardship of natural resources. It adopted an environmental management program more than 30 years ago, and in 1992 voluntarily capped emissions on its New York operations. It has also been involved in leadership programs with the U.S. Environmental Protection Agency, including the Green Power Partnership and the Climate Leaders Program. But in response to the new demands from customers, the company redoubled its efforts.

Most recently, Mohawk has developed papers that have a high percentage of recycled content, which require less energy to make. It has worked with the nonprofit Forest Stewardship Council to ensure that the virgin fiber it does purchase is harvested in a sustainable manner. It has invested in renewable energy, particularly in the form of wind-generated electricity. And it has purchased carbon offsets for the nonrenewable energy that it does use. Despite the recent improvements in sourcing renewable energy, an even more sustainable approach would be to require less energy in the first place to drive down internal energy consumption. “The company has set a priority on energy management in part,” O’Connor adds, “because it makes financial sense. To us, the true definition of sustainability today is where environmental performance equals financial performance.” Given the rising prices of energy, reducing consumption can lower costs and thus increase profits even as it reduces carbon dioxide emissions. But to gain more control over energy consumption, Mohawk needed more information. In particular, it wanted increased insight into what was happening on the factory floor.

Mohawk selected Infor EAM (Enterprise Asset Management) to provide it with comprehensive information about the company’s assets, which will lead to better decision making. “I think the most important thing we’ll gain is visibility into the entire lifecycle of our equipment,” according to Paul Stamas, vice president of IT at Mohawk. “We’re casting a wider net on the parameters and inputs and outputs that we can affect. We’ll further our efforts to move from a reactive mode of doing maintenance to a proactive mode of doing preventive and predictive maintenance. Such information will also standardize the way assets are treated across the company. Everyone will be performing maintenance on the equipment the same way,” says Stamas. “And, with Infor EAM, our executives will have visibility into which equipment is consuming the most energy at any particular time.”

Mohawk purchases 100 million kilowatt hours of energy per year from its green sources. If it achieves a 10% reduction, and prices remain at the current 8 to 10 cents per kilowatt hour, Mohawk will save hundreds of thousands of dollars per year. These cost reductions go directly to the company’s bottom line. But another factor, not always measured in financial reports but perhaps equally important to society as a whole, is carbon dioxide emissions. Future regulatory schemes, such as carbon cap or cap-and-trade programs, may make it possible for Mohawk to monetize these savings eventually. But even today, such impressive environmental initiatives improve the company’s brand outside the traditional selling channels. “Essentially, we didn’t used to have a brand,” says O’Connor. “We have no retail distribution; our paper isn’t sold at Staples or Office Depot. But with our corporate customers, we’ve been able to build a brand around environmental management.” In other words, environmental stewardship has led to not only lower costs but higher sales. “At the end of the day, we are looking to sell a product,” says O’Connor. “We manufacture a product and we want it to be sold. But we’ve found that the sales process is also about aligning values, what we do as a company and what each of our customers does as a company. And compared with our competitors, we are continually investing more time and effort and capital into our environmental philosophy. The EAM solution is just one example of a set of values that has really resonated with our customers.”

Proactive alert and exception management

The final step to improving performance and customer loyalty is to leverage technology that can help to assist in proactively responding quickly to critical supply chain activities, exceptions, or events. Supply chain complexity has increased significantly due to suppliers and materials being sourced on a global basis, and customers are demanding faster turn-around times and responsiveness on their orders. Given these dynamics, manufacturers need to be more adaptive than ever before. When they encounter exceptions, such as last-minute changes to orders, manufacturers need to be able to sense, respond, and act appropriately to ensure their customers get the products they want in the right quantity, at the right time, place, and price. They also need to have upstream and downstream visibility of their sourcing, production, and order fulfillment transactions so that corrections can be made swiftly, avoiding impact on the quality, timeliness, or profitability of their customer orders.

Employing technology that can trigger proactive alerts when exceptions occur becomes critical to heading off potential delays or added cost burdens. Having the ability to respond to changing customer demand in a positive and controlled fashion can be an advantage. Customers respond to adaptive suppliers, and entrust more business to them in the future. However, as a manufacturer sets the expectation that they are able to respond and support change, it can increase the risk of exceptions at a number of points along the supply chain. Having technology that can proactively notify the appropriate individual or groups of individuals of changes through email and other forms of communication is crucial.

In the case of Del Monte Foods, one of the country's largest and most well-known producers of premium quality food and pet products for the US retail market, they wanted to improve their efficiency in managing exceptions, even though they had well-established processes for alerting employees to existing or potential order fulfillment problems. "We had people manhandling the information in our existing ERP system, trying to find if there were problems in their area of responsibility," according to Andy Wojewodka, director of business systems and decision support, Del Monte Foods. "Once they uncovered a problem, they had to go to other screens to find out what action they should take." To eliminate this inefficiency, Del Monte Foods deployed an Event Management solution from Infor.

“The solution was not only helping our users find a needle in the haystack, but also giving them the right information they needed to respond to issues as they surfaced,” he says. “As a real-life example, Infor Event Management has the capability to help us evaluate the order pull for specific products, on a specific day, determine which distribution center should be responsible for fulfilling the order, and whether there is sufficient inventory. For situations where there is a shortage of the right product, the solution provides users with information about incoming re-supply and, if that is going to be inadequate, the steps they should take. I can see business activity monitoring being of value to many other areas of our operations,” Wojewodka says. “It’s as basic as informing someone of an event that would have a negative impact on a given process and then supplying the information in a meaningful form so they can take preventative action.”

In addition to dealing with real-time exceptions, event management technology can also be leveraged to expose trends of when and where changes and exceptions are occurring so that some amount of anticipated change can be planned for, and procedures put in place to improve responsiveness. As an example, there may be specific seasons or campaigns where change events are heightened and added staff are typically needed. Organizations can plan for these events and increase staffing levels in advance to ensure the transaction volumes can be handled appropriately. A common mistake small to medium-sized manufacturers make is to focus only internally on the four walls of their plant. By encompassing the entire supply chain, including both the supply and demand side in their thinking, they can significantly improve the speed and effectiveness of new product development, procurement, and order fulfillment. They can also optimize their supply chain interactions at every link in the supply chain through technology supports that trigger proactive event management activities. Event management technology can be instrumental in helping you to achieve:

- Quicker routing of order status information to customers and supply chain partners
- Improved on-time delivery performance
- Faster resolution of supply chain problems
- Fewer last-minute “fire drills” caused by a faulty alert system
- Improved ability to detect the root causes of problems
- Lower purchase prices, fewer expense overruns, and improved cash flow
- Reduction and elimination of excess inventory and stock-outs
- Improved teamwork, collaboration, and employee effectiveness
- Improved supply chain efficiency and effectiveness

Summary

Maintaining strong business performance and customer loyalty require continual vigilance and assessment. Establishing key metrics that focus on value-added and customer-centric performance will allow you to operate as an agile enterprise and stay close to the pulse of market changes and dynamics. Performance tools such as dashboards and reporting can help to monitor your performance and allow you to make better decisions faster. More importantly, manufacturers need to focus on innovation, quality, time to market, and event responsiveness as critical success factors when it comes to sustaining strong business performance and customer loyalty. Each has the potential to increase revenue and reduce operational costs for improved profitability, and can strengthen your customer relationships.

Keeping close to your customers is one of the best ways to see where the market is heading and enable you to address customer service issues and market changes before they impact your business—even if you think customer satisfaction levels are high. It is important to keep in touch with where customers are going, what their expectations are, how their business is changing, and how they can be better served. Businesses need to continually assess the current state of the market they are in, analyzing who they are competing with, and who they could be competing with in the future. Our global economy continues to sprout new competitors and challenges, but working proactively to adopt and rethink your key business metrics, focus on continual innovation, quality improvement, delivery performance, and customer responsiveness can help you to improve business performance and sustain ongoing customer loyalty.

About Infor ERP VISUAL

Infor ERP VISUAL is a manufacturing-centric software solution delivering end-to-end functionality, low total cost of ownership, and ease of use to serve the needs of diverse manufacturing business models, including engineer-to-order, make-to-order, configure-to-order, make-to-stock, and assembly-to-order. For more information, please visit <http://go.infor.com/visual>

About Infor

Infor acquires and develops functionally rich software backed by thousands of domain experts and then makes it better through continuous innovation, faster implementation options, global enablement, and flexible buying options. In a few short years, Infor has become the third largest provider of business software. For additional information, visit www.infor.com

Infor Corporate Headquarters
13560 Morris Road
Suite 4100
Alpharetta, Georgia 30004
USA
Phone: +1(800) 260 2640

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