

Siemens TrueCommerce Datalliance Platform

Siemens Delivers High Value To Channel Partners

SUMMARY

**More Connected. More Supported.
More Prepared for What's Next.**

- In an effort to strengthen their relationship with key distributors, Siemens launched their Inventory Collaboration Program powered by TrueCommerce Datalliance VMI
- VMI has helped Siemens build strong relationships with their leading distributors
- The results for Siemens have driven them to expand their VMI participation



TRUECOMMERCE DATALLIANCE VMI DELIVERS

(Results for Siemens)

- Turns Increased 73%
- Inventory Reduced 27%
- Sales Increased 30%
- Customer Satisfaction at 99-100%

"We've been able to reduce overall inventory at our distributor partner's locations. But, more importantly, the inventory product mix is much better, as VMI ensures that the right inventory is on the shelf when the customer needs it."

Celia Dayagi

Program Coordinator,
Siemens

BACKGROUND

The electrical industry is very competitive, as multiple suppliers offer similar products and pricing strategies. Siemens understands this and has taken action to use Vendor Managed Inventory (VMI) to provide added value to distributors in addition to their extensive line of quality products.

Celia Dayagi, Siemens' Program Coordinator, said, "Several years ago, we were looking for ways to differentiate Siemens with our key distributors and position Siemens products as the preferred products within the electrical distributor network. We recognized that inventory represented the second highest cost for our distributor partners. We decided to focus our efforts on sharing the inventory risk while increasing shared market intelligence. Our goal was better decision making that would allow us to identify and take advantage of market opportunities."

In order to further strengthen their working relationship with key distributors, Siemens looked at all touch points as part of redefining their channel strategy. "When we launched our High Value Partner program, it initially focused on manufacturing issues such as improved cycle times, streamlined manufacturing processes, and enhanced customer service initiatives," explained Dayagi. "But we recognized that the missing piece

was more collaboration with our distributors on inventory management. We quickly identified Vendor Managed Inventory as the right tool to address that important aspect of our channel strategy. We selected Datalliance VMI as they are the leader in the electrical industry."

Jim Vanden Hoek, VP of Channel Management and Development for Siemens, further explained this channel partner strategy by stating, "Siemens is committed to delivering the highest value to our channel partners who have made the choice to align with us in the marketplace. As part of this enhanced value offering, Siemens launched TrueCommerce Datalliance VMI as the tool for our Inventory Collaboration Program. Mutual benefits of VMI include optimization of inventory turns and earns, inventory transparency, inventory demand forecasting, reduction of dead and slow moving stock, and improved customer service and stock product fill rate performance for our customers. This all adds up to increased stock sales growth rates plus improved asset management and cash ow for both parties."

Siemens' leading distributors are joining the partner program because of the value VMI is providing. "Prior to adopting VMI some of our distributors didn't feel their data was clean enough to do VMI at all. It's a big leap of faith



to have someone else calculating your order requirements," explained Dayagi. "The reality was that the order process can be very time consuming. One of the struggles in the past was to balance inventory levels with actual demand, so many companies error on the side of carrying more inventory to maintain customer service standards. When Siemens approaches distributors about VMI, we work closely with TrueCommerce Datalliance to make it work for our partners."

COLLABORATIVE PARTNERSHIP

Siemens researched the ideal inventory process to support the wide range of strategies employed by their individual distributors. "Through our Inventory Collaboration Program we did not want to control our distributor's inventory but rather work more closely with them to better manage it," stated Dayagi. "VMI was the tool that gave us the flexibility to customize our approach with each distributor, not compromising the needs of one to satisfy the objectives of another one."

"VMI does a better job of evaluating requirements and ordering replenishment stock," said Dayagi. "Right away our distributors noticed items that they would not have

ordered but should have. VMI caught and ordered those products. VMI also ne tuned the order quantities. A hidden benefit of initial VMI implementation was that the data got cleaned up to get distributors in sync with Siemens. As costs were not always updated, pricing errors were occurring. It's critical to update cost data continuously in order to accurately set pricing for the end customer."

VMI gives Siemens and their distributors a forum to discuss key inventory management issues. "This dialogue has given us tremendous insight into our partner's strategy. In most cases, we found that their desire to provide high customer service levels caused them to carry too much inventory," said Devyn Anderson, Siemens' Channel Sales Engineer. "Within the first six months of participating in our Inventory Collaboration Program, distributors realized significant results at two pilot branches. Turns increased 73%, inventory went down 27%, and sales increased 30%. To the delight of everyone, they were able to realize these gains while maintaining 99-100% customer satisfaction. Year-over-year, sales increased 10%."

Dayagi further clarified VMI's appeal, saying, "We've been able to reduce

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overall inventory at our distributor partner’s locations. But, more importantly, the inventory product mix is much better, as VMI ensures that the right inventory is on the shelf when the customer needs it. VMI has had a significant impact on eliminating stockouts, which is the primary reason our distributors have bought into the VMI concept so well.”

IMPROVED PROCESSES BENEFIT SUPPLIER AND DISTRIBUTOR

VMI is helping Siemens improve their internal sales and operations planning (S&OP) process by clarifying their view of market demand. “Sales & marketing meet regularly with our production organization to discuss 30 and 60 day manufacturing forecasts for all product families,” Dayagi explained. “With VMI, we are now able to see not only the demand from our distributors, but the demand of the end customer. This significant improvement gives us confidence in the accuracy of our manufacturing forecasts and allows us to better serve our distributors.”

Siemens’ distributor partners have also benefited from productivity improvements as a result of quality data. “When VMI creates an order it specifies a shipping date, information we didn’t provide in our old process. Our partners plan more effectively and expend less effort checking on and expediting orders. By improving data quality, reducing the number of orders by almost 50%, and eliminating the time consuming process of creating PO’s and verifying individual line items, they have improved productivity by 25%.”

In addition, VMI helps Siemens and their partners to cooperatively manage the product life cycle of Siemens products. “We used to spend a lot of time and effort and still struggled with the introduction of new products and the phasing out of obsolete items,” stated Dayagi. “With VMI, the product life cycle is automated. We can accurately manage transitions and gain a comprehensive view of the impact across distributor locations. We now spend far less time and get better results. VMI helps to ensure that neither Siemens nor our distributors end up with obsolete inventory.”

Distributors are using VMI to fill out and expand the Siemens product line. “In the past, we had a hard time introducing new items,” Dayagi admits. “Our partners had a hard time quickly identifying increasing sales trends of new items and adjusting order quantities appropriately. Today, VMI identifies non-stock items that have growing demand so that our partners consider making them permanent stock items. VMI also anticipates future demand, which allows them to take advantage of evolving market opportunities.”

Anderson speaks to the growing investment in VMI for both distributors and Siemens. “The real testament to our Inventory Collaboration Program is that distributor branches that are not on VMI can’t wait to come on line. They’ve seen the benefits that the initial branches have realized, and they are anxious to get on board.”

ABOUT TRUECOMMERCE

TrueCommerce is the most complete way to integrate your business across the supply chain, integrating everything from EDI to inventory management, to fulfillment, to digital storefronts and marketplaces, to your business system and to whatever comes next. That’s why thousands of companies across various industries rely on us.

TrueCommerce.
Do business in every direction.

THE TRUECOMMERCE DATALLIANCE TEAM IS HERE TO HELP!

If you have any questions regarding TrueCommerce Datalliance and VMI, or how it applies to your business, our passionate, focused team is here for you.

Call us today at 513.791.7272

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