

SIEMENS INDUSTRY AND VIKING ELECTRIC COLLABORATE TO IMPROVE PERFORMANCE



Viking Electric Supply, a key distributor for Siemens, is a wholesale distributor serving the electrical industry in the Upper Midwest with 24 locations in Wisconsin and Minnesota. Viking is part of Sonepar USA, a division of Sonepar, which consists of over 160 companies operating in 36 countries on five continents.

When Siemens initially approached Viking about participating in their Inventory Collaboration Program (ICP) and using Vendor Managed Inventory (VMI), they had to overcome Viking's poor experience with a similar program with another supplier. Siemens uses Datalliance VMI as the solution foundation for their Inventory Collaboration Program. "When Siemens approached us about participating in their ICP program, our initial reaction was less than enthusiastic," explained Doug Herberg, Viking VP of Marketing & Materials. "We had a previous experience with another third party VMI solution and the results were not impressive. They had difficulty explaining how the solution worked and training us on how to use it. The solution was not flexible enough to address our primary needs, and therefore, we did not get the business results we expected. But when Siemens explained how VMI was an integral part of their 'High Value Partner' (HVP) initiative and we saw the success that Siemens had experienced with TrueCommerce VMI, we decided to give VMI another look. As a member of their HVP program, we were confident that Siemens would work closely with us to make VMI a success for both of us."

Thorough Implementation Process Foundation for Success

In the successful deployment of the Siemens Inventory Collaboration Program, Viking found that not only was it important to have a VMI solution that was flexible and adaptable, but that a thorough implementation plan involving all parties was just as critical.

Kathy Green, Viking Production Manager, stated, "We were very impressed from day one with the detailed and systematic implementation approach that both Siemens and TrueCommerce took with us. We held weekly meetings where members of our staff, Siemens and TrueCommerce all participated in a step-by-step plan where we addressed everything from a thorough data scrub to resolving terminology differences so we were all on the same page. This was very well planned and organised, and no one rushed the process. The result was a solid foundation for moving forward with confidence."

"Transparency was one of the key attributes of this process," noted Herberg. "We had very open discussions about how TrueCommerce VMI did things and how we could tweak the system to make it work best for us. They were able to adapt the system to work for us in the way we needed it to work. Unlike our first VMI experience, the TrueCommerce system adapted to support the way we run our business and we did not have to make compromises based on how the VMI system wanted us to do things. A good example of this is for products where we have infrequent and low quantity demands. For these products, we prefer to drive the order point to zero to minimise inventory investment. Initially the system did not allow this, but after we explained our rationale, the system was easily adjusted to allow stock to go to zero before ordering the part. This helps us keep inventory investment down and is a good example of how the system adapted to how we operate."

New Process Delivers Results

Inventory management was one of the first areas where Viking realised improvement. "VMI gave us the information and visibility to fine tune our inventory stocking plan to better reflect the actual demand trends of our customers," explained Herberg. "We found items that we actually did not need to stock and generally cleaned up our inventory to the point where we were able to reduce the value of our inventory by about \$80,000 or 15%. That represents a significant cost savings for us. We are doing a better job of managing our inventory while we grow our business with Siemens products. For example in the first six months of the year we increased sales of Siemens distribution products by 15% with no increase in inventory. Increasing turns like that has a direct impact on our margins and profit."

"The VMI process also got us to take a look at how we do things and how we plan inventory requirements through our own business system," noted Green. "We liked the added visibility that we gained through VMI and have made some changes to our business system based on what TrueCommerce VMI does. The improvements in matching inventory with anticipated demand have helped us improve our fill rates from 95.7% to 98.5%. This is a huge improvement in our customer service and is the result of anticipating customer demand and having the right items available when our customers need them – but without excessive inventory that would drive up costs. Another area where VMI has helped is with new product introductions. Right off the bat we had a situation where Siemens was launching a new product to replace a product we currently carried. In the past this type of switch would have taken a substantial amount of time to coordinate; but with VMI in the Inventory Collaboration Program, it was a smooth transition with little effort on our part. TrueCommerce copied the sales history of the old item over to the new item, utilised the on-hand inventory of the old item, and then seamlessly switched over to the new item with no excess or shortfall of inventory and most importantly, no missed sales."

In another case, Viking recently ran a product promotion where they offered their customers fuses at no charge when they bought a fused safety switch. "In our previous environment this would have been terribly difficult to coordinate the 20 plus products involved in this promotion," explained Green.

"We worked closely with Siemens to anticipate the added demand for the one month period to ensure we could meet all customer orders during the promotion. The process ran beautifully as we realised nearly a 100% increase in sales for the promotion period and satisfied every order seamlessly. After the promotion we switched back to our normal demand pattern and inventory levels with no issues and without missing one sales opportunity. That was a great example of the exceptional capabilities of VMI and the collaborative benefits of the Siemens ICP."

The bottom line of what Viking considers the strategic value of VMI is measured by one of the Viking's key business metrics – Gross Margin Return on Investment (GMROI). "Our business environment is very challenging right now, as is the case with all industries," stated Herberg. "By helping us better manage inventory and improve fill rates, we have been able to improve our GMROI for our Siemens products from 1.66% to 1.84%. So for every dollar of Siemens inventory that we bring in, we are able to generate \$1.84 of gross margin. This improvement in GMROI is a great trend for us!"

Siemens Drives Closer Relationships with "High Value Partners"

As part of their High Value Partner program, Siemens is committed to working more collaboratively with key distributors to better manage inventory through their Inventory Collaboration Program. Herberg summarised, "Throughout the process, the staff at Siemens was critical to our success. They were there, along with the TrueCommerce staff to help us connect the dots, step by step. Siemens is now more in tune with what is going on in our specific environment and markets which makes them a more proactive and valuable partner to Viking."

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Viking Electric Supply

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