

Addressing Supply Chain Challenges



Planning in the service supply chain is a critical factor to achieving customer service at a low cost. Doing so is not without challenges, and many mid-market manufacturers and distributors simply do not have the resources to address service supply chain planning in the same ways as their larger competitors. However, MCA just unveiled 'MCA Desktop Edition, a new product that gives mid-tier organizations and business units at larger companies fast and affordable access to MCA's robust spare parts planning solution. Tim Andrae, Senior Vice-President of Global Marketing at MCA Solutions, recently spoke with Manufacturing Business Technology about the MCA Desktop Edition, spare parts planning challenges, and how smaller manufacturers are keeping pace with some of the larger competitors.

What are some of the spare parts planning challenges that this particular product, the MCA Desktop Edition, looks to address?

MCA focuses entirely on the service supply chain, which is the aftermarket supply chain. Planning challenges are much different there than in production supply chain. Demand patterns are different ... What we do focus on in the aftermarket supply chain, the support of products after they are sold ... Anywhere from 40 to 60 percent of revenue for manufacturing companies comes from aftermarket service, and so the level of support they provide is very important. Planning in the service supply chain is very critical in achieving customer service at a low cost. The demand is driven by things like maintenance and product failures. Often the support networks are much larger than in production. So if you have a global base of customers, you may have to respond to a product failure in four hours in some

cases ... So that means the service supply chains to support that are larger, and have a lot more locations. And the number of parts you are supporting is larger too, because you are supporting products that are no longer in production. So these are big, global networks, and the demand is very difficult to forecast, because if the failure rates are low the demand is very intermittent. So traditional production supply chain and manufacturing tools don't fit this environment ... For while we've had what we call enterprise edition, which is a standard, on-premise implementation, where the internal IT group manages it. We also have an on-demand edition, and a software-as-a-service. We're finding, more and more, that that's becoming popular. Because IT resources are constrained, that means we host it, we can get it up more and more quickly, and the customer pays a monthly fee instead of buying it outright. But what we're finding is that a lot of people aren't even ready for that. Because they're now using a complex spreadsheet ... or each program has different planners and different systems. So they may not be ready to buy an enterprise tool, they make their selections on a program-by-program basis. So they're again using a spreadsheet. They are reluctant to go through IT to buy a big enterprise tool, or even an on-demand. There is value in going in with just a desktop. So they add this to the desktop, they take all the files they are getting through Excel and Access, plug it in, and they can be up and going in a matter of days, as opposed to weeks or months, which would be the case with on-demand or on-premise implementation. So it's cheaper, it's a foot in the door to get implementation at a program level, and they don't have to go through all the bureaucracy and steps of getting IT approval, and so forth.

Flexibility is a key concern for a lot of companies these days. A lot of them may not be ready or willing to take that large step, but are ready to take some smaller steps. Has that attitude been a driving force behind some of the solutions you offer?

Absolutely. It's a small step, and it's almost retro when you go back to using a desktop tool. But we're finding, especially in this state, people are still planning on a desktop. And it's an incremental step to get up and going.

A lot of companies, when they talk about tech solutions and software implementation, are very concerned about return on investment. It's not always going to be immediate, but they want a decent return at some point. Is that something you guys have considered, and is it something your customers can count on?

The return is easy to quantify. We focus on managing inventory and optimizing inventory. Often in the sales cycle, we will go in and build a model with their data and say 'Here's your current inventory. If you optimize it, you can both increase your service levels and reduce inventory.' And they use that up-front model to make a business case. So another thing you can do with our tool is to do 'What if' scenario planning. You build a model, you optimize inventory so you can show an immediate impact, and also look at tweaking different aspects of your business model ... We can do that both in a sales cycle, to help build a business case and the ROI, for something on an ongoing basis after the implementation is done. Another reason people may want to use the desktop tool is to do that type of analysis, to do

business analysis and almost strategic consulting to look at their service supply chain. We also do network design. So we're finding that some people want to analyze some things both to impact their business, but also to help make a business case before they go into full deployment. And this desktop tool is very well-suited for that ...There is a very clear ROI in these implementations, and you can actually measure it and predict it in business trade-offs before you do the implementation ... People want to see their data in a system to be able to validate it and test it within their environment. The generic business models are not effective anymore. Again, we actually use their data to build a model to help build that business case. Everybody comes in and says 'This will reduce inventory, and this will reduce inventory.' If you added all that up, it would wipe out inventory. That's not credible. But with a real modeling tool, you can kind of look at the different factors going into it.

How does this product allow smaller manufacturers to leverage aftermarket services in order to keep pace with some of their larger competitors?

Through the downturn and upturn, for many manufacturers...service became a source of sustaining revenue when product revenues dropped off. That was important, both to maintain a revenue stream, but also to make sure they made their customers happy and retained them...You have to have good service. The companies that deliver superior service, both in the upturn and the downturn, are the ones that also get the new product sales. So in general, service is a competitive differentiator for the overall company. And, by managing the service supply chain effectively, you can do that (well). Some of the things we've helped people do are look at the impact of different service offerings. For example, in medical equipment, the more advanced companies are moving from next-day service ...to ... four-hour response time...Being able to offer a new service offering may be critical to getting a new product sale. We help them analyze the impact of those different service offerings.

A lot of these smaller or mid-market companies, they don't have the resources of some of the larger companies. So obviously it's pretty important for them to stay ahead of the curve when it comes to what they can offer, so they can compete in what is a pretty tough marketplace right now. Do you think the importance of service is a trend that has continued to grow over the course of the past couple of years?

We surveyed our customers during the downturn, and I think they were finding increased recognition in the value of service, both because it produced revenue and increased customer service. But I think that has been maintained through the upturn. I guess there are always cyclical turns, but I think people get value from a product through its use. And it's through servicing it more effectively that people do that. We're finding, more and more, performance-based contracts, where instead of buying it and paying maintenance, parts, and labor, people are saying 'We'll pay you based on uptime and usage.'

[Here \[1\]](#) is some more information about the MCA Desktop Edition. To learn more

Addressing Supply Chain Challenges □

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

about MCA Solutions, visit www.mcasolutions.com [2].

Source URL (retrieved on 04/25/2015 - 9:21pm):

<http://www.impomag.com/articles/2010/08/addressing-supply-chain-challenges%C2%A0>

Links:

[1] <http://www.mcasolutions.com/section/solutions/desktop-edition.aspx>

[2] <http://www.mcasolutions.com/>