

TAMING THE “DEMAND SIDE”

WHY PRODUCTION-ORIENTED SUPPLY CHAIN APPLICATIONS FALTER ON DISTRIBUTION AND AFTERMARKET SERVICE

If you have invested heavily in an ERP system, you naturally want to apply it to as many business processes as possible. Unfortunately, much time, money and opportunity is wasted by people trying to use an ERP system for tasks it was not originally designed to perform.

Two such areas are **distribution** and **aftermarket service**. Here's why it pays to look at specialized software for these processes.

Distribution and service: not like production

All of today's major ERP systems were designed to manage the supply chain for finished goods production: ensuring that the right amount of the right parts and materials are on hand at the right time to fulfill production schedules. Outbound distribution of those goods is very different problem. If you also need to distribute service parts inventory to support your products, it gets even more interesting.

At a very high level, managing the distribution of finished goods and service parts looks similar to managing the supply chain for creating finished goods. Common tasks include forecasting needs, anticipating outages, and planning orders to replenish inventory “just in time.” At the operational level, however, there are fundamental differences.

What is different?

For example, in finished goods production, the only acceptable conclusion to any supply planning process is to buy or make new parts. In service, that is the least acceptable option. The planning application must first consider every alternative such as reworking lower level parts into the current level, repairing repairable parts, rebalancing inventory, substituting similar parts that may have excess, disassembling assemblies or entire pieces of equipment that are not needed, etc.

Other differences include:

- Probabilistic demand for parts, with low level and sporadic demand at the very forward locations

- Volume of parts/locations that need to be planned
- Dynamic BOM
- Parts chaining
- Categorization of inventory (new, repaired, etc.)
- Integrating reverse logistics

Field service techs add another twist

The service supply chain management is also closely tied to field service operations: The planning, scheduling and dispatching of field service technicians.

Your software application should understand your installed base and your service level agreements or goals. These factors will impact not just parts inventory, but also the number of field service technicians you employ, their location in the field, and their required skills and training.

Then you must manage the delivery of service: acknowledging service requests, scheduled service appointments, dispatching a technician, closing out all of the call activities, and finally raising accurate invoices for services delivered.

What makes the service supply chain really tick is the ability to combine service inventory optimization with field service management. Coordinating the arrival of the service technician with the arrival of parts (either to the technician or directly to the customer's site) is a key part of that process.

Optimizing this alone dramatically increases service levels and the first time call fix rates. The financial benefit of a specialized service management application that is capable of managing these processes in a coordinated fashion can be realized in a very short time. ■

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