

Build Supply Chain Visibility to Boost Customer Experience

High-tech manufacturers and distributors face a number of challenges when getting their products into the hands of end users. Customers demand high-quality products and service at a faster pace — and at the touch of a button. Pressure from global competition is on the rise, as are differing regulatory requirements. Supply chains are providing unprecedented amounts of data, putting additional pressure on companies to analyze those metrics for better decision-making. To address these growing complexities and deliver the right solution to customers, industrial automation manufacturers and suppliers must have clear visibility across the entire supply chain.

“The high-tech industry is highly cyclical, where we will see things spike a couple hundred percent and then just drop off without anybody being aware of it,” says Tom Gentile, vice president of global supply chain and procurement for Parker Hannifin Corporation. “The more visibility we have into our business and other organizations’ businesses within the supply chain, the better we are able to quickly react to customer demands and changing market conditions in real time.”

Just like commercial consumers buying from Amazon, “people in a B2B environment want more timely information about orders and order status, and they want to do it on a self-service basis,” says Mark Anzelc, vice president of supply chain for Parker Hannifin’s Motion Systems Group.

“Providing this level of visibility ensures that we align service levels and customer expectations and that we have the right amount of inventory on time and the right commitments with our supply base,” Gentile adds. “By showing our customers exactly what we and their suppliers are doing, we not only are driving a lot of trust throughout the supply chain, but we’re working together in a more collaborative fashion.”

As part of that collaboration, Parker Hannifin’s suppliers can use the company’s self-service portal “to see exactly where demand is coming from and access a plethora of data about any business they are serving across the industry,” Gentile says.

Mike Kelly, director of channel and pricing at Rittal Corporation, sees a similar trend. Rittal manufactures dozens of products, including industrial enclosures and accompanying cooling systems. “The fundamental process of building a cabinet hasn’t changed, but the days of a distributor sitting at their desk opening up a catalog the size of a bible to choose a product are over,” Kelly says. “Now, distributors expect to find things like pricing and three-dimensional drawings online within a matter of seconds. And we make that information readily available to them.”

The Need for Speed

Customers’ quest for instantaneous information can pose challenges for manufacturers and distributors alike. The very nature of instant access can be a fundamental problem, according to Kelly. “Some people treat high-tech automation products as commodities, but that line of thinking doesn’t account for everything that goes with ordering one of these products,” Kelly says. That responsibility falls to distributors “because they have to understand the customer’s application of the product as much as they understand the product itself.”

Not only is understanding exact customer requirements a significant challenge, but so is determining the best way to deliver that information. “Customers want visibility on a daily basis,

so monthly or quarterly reporting practices from the past don't work in today's supply chain," Gentile says.

Compounding this challenge is the increasing complexity of manufacturing capabilities and customer demands. "The speed, flow, and amount of data have also increased dramatically and continue to accelerate," says Parker Hannifin's Anzelc. "In many cases, our customers come to us because they want to simplify their own supply chain, so we take on some of that complexity as a value-add."

To manage a supply chain in a complex, on-demand environment, many manufacturers have built their own tool sets to share the appropriate metrics with customers. Anzelc points to on-time delivery as an example of a trusted metric. "We track and manage a number of upstream parameters such as overall inventory levels and lead time by suppliers to provide downstream service levels to customers," he says. Another example of Parker Hannifin's tool sets — which are shared across the company's 100 divisions — is a global "heat map." If a city or country were to experience an event like a hurricane or political upheaval, "we are able to zone in on that particular area and see the potential effects," Gentile says.

Distributors' Role in the Supply Chain

Without knowledgeable distributors, supply chain visibility can suffer. Rittal Corporation focuses on building robust supplier partnerships that form the backbone of the supply chain. "End users want to make their production lines faster, cheaper, and better," Kelly says. "That is why we need partners who are technically strong and well informed about our products, because once they sell automation equipment or systems, that's when they bring in our enclosures and cooling products."

Developing such relationships builds trust in the supply chain. To that end, Rittal focuses on quality over quantity by partnering with a limited number of distributors across the U.S. "With this strategy, we get a distributor who is willing to make investments in training, inventory, and technical knowledge, and in return they get a partner who rewards those investments," Kelly says.

Rittal serves six geographic regions, each with six channel managers. They support distributors with tasks such as target account planning, coordinating efforts in the CRM platform Salesforce, addressing logistical issues with inventory or deliveries, and eliminating roadblocks. Rittal also uses mobile design centers that showcase products at customer sites and distributor events.

"We partner with distributors on multiple levels to make sure we are providing everything we can to help grow their business," Kelly says, "and each distributor receives at minimum a quarterly report to show how they are meeting our basic requirements."

For their part, distributors have to position themselves to customers as solution providers within the supply chain, not just as product retailers. "We are bringing a lot of value-add services that some product manufacturers don't have the resources for," says Brad Rosenhagen, area manager for AWC, a high-tech distributor and integrator of electrical, automation, and instrumentation solutions. "We also have more engagement across the whole decision-making structure with the customer than we did a decade ago."

AWC employs close to 40 application engineers to fill the gap between product procurement and full system deployment. "More OEM machine builders are asking us for help with

installation of their equipment at production plants,” Rosenhagen says. “They want to know about kitting, preassemblies, or other services we offer to simplify their job.”

Rosenhagen also believes that communication is critical to building trust and visibility within the supply chain. “AWC is an open book with our customers, sharing with them how we are performing as a business and what we’re working on,” he says. “We do a report card on ourselves with information about our on-time deliveries and other services.”

High-tech product manufacturers and distributors use a number of tactics to deliver the right solutions at the right time. As Parker Hannifin’s Gentile puts it, “Visibility in the supply chain always comes down to the customer experience.”