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DISCOVER In Action



Inside Story:

SERAG-WIESSNER

DISCOVER gives ERP systems a lasting boost

Rules and controls to achieve permanent perfection

DISCOVER gives ERP systems a lasting boost

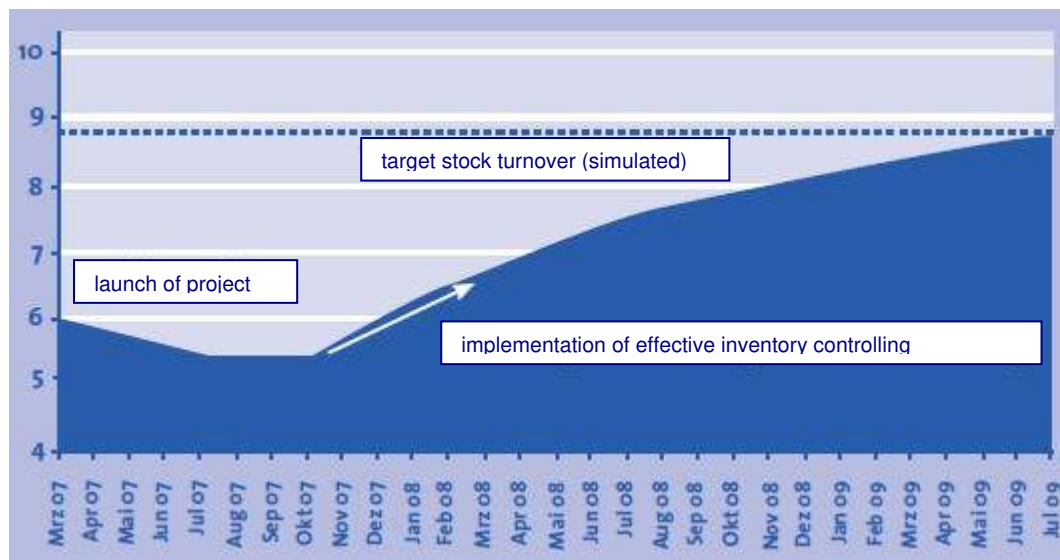


By Steffen Schwippl (Serag-Wiessner) and [Dr. Bernd Reineke](#)

It's certainly not news that industrial planning and procurement processes are a highly complex, intermeshed collection of a wide range of sub-processes. More intelligent and highly developed solutions are becoming better at striking a balance between unequal variables such as availability, inventories and efforts. Serag-Wiessner, a medium-sized company specialising in medical and pharmaceutical products, coordinates the multitude of parameters it needs so that the balancing act comes off.

From its base in Naila, Bavaria, Serag-Wiessner and its some 200 employees produce and deliver surgical sutures, textile implants for the pelvic floor and infusions. Of the approximately 3,000 articles in its range of surgical sutures and textile implants, categorised by thread type, strength, length and needle-thread combinations, some 1,500 are kept in stock at the warehouse. The company's 25,000 customers, including hospitals, registered doctors and wholesales both locally and abroad, expect deliveries within 24 to 48 hours. To meet these requirements, stocks are retained in the finished goods warehouse, which was previously dimensioned by the planners based on ERP order proposals. Since their own attempts to significantly reduce stocks were not successful in the past, the management decided to entrust the task to the supply chain specialists at Abels & Kemmner.

The most important requirement was to develop and implement a sustainable solution. Besides a perfectly matched concept, attention was therefore also placed on the solution's implementation. From the start, the need for a permanent solution raised the question of how – or indeed whether – the existing ERP system could support it. Restrictions in production and logistics had to be considered, and included in reviewing planning parameters. Besides the sales variables – delivery times of 24 to 48 hours and average delivery availability of 96% – the planning parameters also had to take into account the intended limit of 1,200 monthly production orders and the associated retooling processes.



Stock turnover

The project goals were determined in advance using simulations. During implementation, it became clear that success could only be achieved once customised inventory controls were in place based on a few meaningful key indicators.

At the start of the project, an overview of current processes alongside logistical variables such as range, supply readiness and stock turnover was conducted. An important aspect during this phase was also the analysis of the ERP system in use at Serag-Wiessner. Although the AS400-based system from SoftM has basic planning and forecasting functions, it was clear right from the project start that it would be unable to achieve the intended goals without expansion. Management therefore decided to buy in additional functionality in the form of the DISCOVER SCO optimisation tool. This software produced by SCT GmbH stands out above all through its functions in these areas:

- Optimisation through simulation
- Countless forecasting and security processes (in particular distribution-free processes)
- Optimisation of planning parameters
- Integrated inventory controlling

Because the decision in favour of DISCOVER SCO had already been taken early on in the project, the options it offers could be added to the model, giving the project team far greater room for manoeuvre.

The following long-term goals were achieved during the planning optimisation project:

- Stock turnover rose from 6 to just fewer than 9. This means an average storage period of around 6 weeks.
- Inventories were also reduced to 65%. This does not affect delivery availability, which in fact has improved to 96% and is now stable.

In the search for a solution, a variety of simulations recorded the impacts of availability, stocks and retooling requirements. It quickly became clear that the project goals could only be achieved using refined approaches. This included giving various product groups a definition of various degrees of availability along with higher batch sizes of low-cost C articles than for strong-selling A articles. Finally, the model called for the creation of rules in a decision table to do justice to the criteria of ABC and XYZ designations, shelf-life and the market requirements of the various product groups. These rules were mapped into DISCOVER SCO and can be adjusted flexibly to changing requirements.

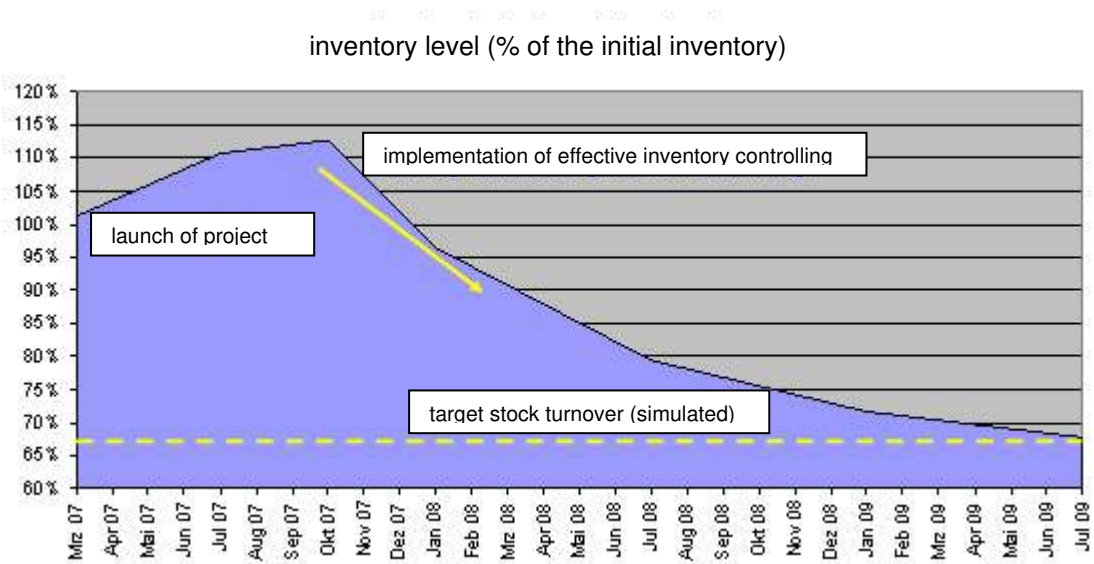
The simulations meant that achievable KPIs such as availability, stocks and retooling requirements could be determined in advance. Nevertheless, results had not emerged right at the start of implementation. The breakthrough to a sustainable reduction in stocks only came once daily inventory controls had been implemented. This involved reports on inventories, sales, stock turnover and availability at the end of the day, which were then compared with the simulated variables. For availability, a distinction was drawn between various timeframes (7 days and/or 30 days) to ensure that short-term developments could be assessed better. The report is sent every day by e-mail to the screens of the planners and management. This allows countermeasures to strong deviations to be taken at very short notice.

The following screenshot shows an example report.

total	actual stock	estimated stock	estimated PO	SR 7D	SR 30D
stock turnover	8.77	8.66	14322	88%	90%

group of items	stock	estimated stock	turnover 12	estimated PO	estimated SR	SR 7D	SR 30D
1				1312	97%	92%	98%
2				671	95%	90%	96%
3				12255	93%	98%	91%
4				3	95%	89%	94%
5				0	88%	100%	97%
6				61	64%	100%	100%

(Some key figures have been removed)



Inventory trends show that permanent improvements can be achieved with DISCOVER inventory controlling.