

Prodacapo Case



Scania Parts Logistics:

Deriving Value Through Rapid Process Mapping With Prodacapo

In just twelve weeks, Scania Parts Logistics in Sodertalje were able to utilise Prodacapo software to carry out process mapping, amazing management with a rapid identification of potential benefits and the introduction of several new pilot projects. The benefits from demand chain management with the introduction of Prodacapo at Scania Parts Logistics are here to stay.

Scania Parts Logistics in Sodertalje operate a global supply chain providing warehouses worldwide with the spare parts needed for Scania's heavy vehicles. The key to business success often lies in the identification of new opportunities - for example; stationary vehicles do not generate revenue, the prize lies in get-

ting such vehicles back on the road as quickly and economically as possible. Therefore, a key feature of Scania's offering to customers involves not only providing with them with a vehicle, but also helping customers keep their vehicles on the road.

With 65 000 part numbers in stock and 20 000 orders going out

in every 24 hour period it's a challenge to maintain a high standard of service whilst at the same time keeping stock costs low. Thanks to an efficient process analysis and focused pilot projects, Scania Parts Logistics has been able to successfully achieve this difficult objective.

"The spare-parts department is one of Scania's areas of competitive advantage and we always have to seek improvements based on the workflow, says Hans Narfstrom, Managing Director of Scania Parts Logistics AB (Ltd).

Methodology is the Key

The management had tried to map out their primary processes in previous exercises, but without results.

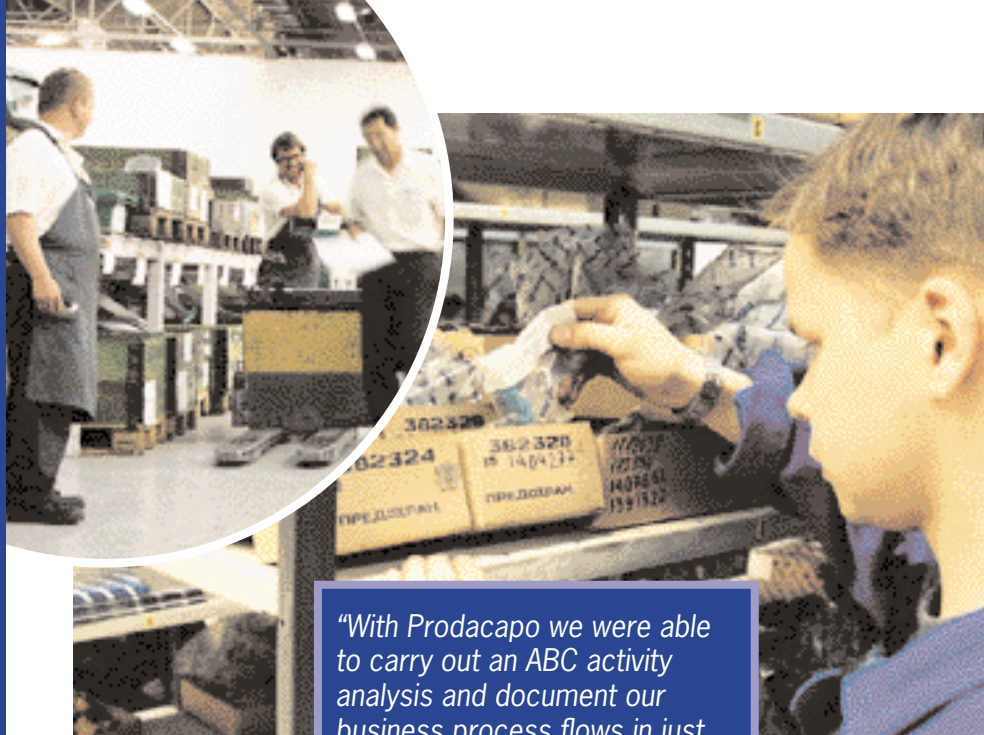
"We had the will but not the

methodology and the right methodology is critical", says Hans Narfstrom.

One of Narfstrom's colleagues happened to meet Prodacapo during a conference at which Prodacapo was able to impress them with their presentation of a new methodology. This new methodology appeared to be exactly what the company was looking for and persuaded the company to give Prodacapo a try.

During the 12-weeks of ABC-analysis, Prodacapo identified and mapped out the organisation's primary and support processes and identified areas of value where pilot projects could offer benefit.

Scania Parts Logistics managed to shorten the lead-time of spare parts to their customers, rationalize the capital in the



"With Prodacapo we were able to carry out an ABC activity analysis and document our business process flows in just twelve weeks. A better overview of costs per activity led to an improvement of EUR 2 million"

*Hans Narfström, Managing Director,
Scania Parts Logistics*

buffer stock and in turn saved 20 million SEK in Sodertälje.

With a clear vision on the company's processes, Hans Narfstrom can see more

than double the potential in the current work with ABC-analysis and cost direction.

"It specifically focuses on the flow of spare parts between our warehouses and until now we have only touched the surface of potential improvements."

Successful pilot project

Scania Parts Logistics initiated four pilot projects: cylinder liners, urgent orders (VOR, vehicle off-road), preparation and batch planning (assembly of kits).

Each project had the same three major objectives, to shorten the lead-time, to work directly with steering the flow and to navigate the organisation towards customer orders.

Results were delivered faster than expected.

The warehouse costs highlighted a high stock value of the cylinder liners compared with volumes, and the goal became obvious, to rationalize the costs in the warehouse. Within six months the cylinder liner unit stock decreased from 3500 to 500, which cut tied up capital tenfold but upheld the same good service.

"To reduce the cost for the warehouse in exchange for worse customer service would not have been a good solution", says Hans Narfstrom.

Urgent orders

Even more important than the customer service issues were the urgent orders – they represented almost 3 % of all orders received by

Scania Parts Logistics. When an urgent order is placed it means that a vehicle will remain out of use somewhere, waiting for the necessary

parts. Every second the truck is stationary is a loss of revenue, so the project objective was for Scania to respond with quicker delivery times on these relatively small volumes – which also succeeded.

The project's draft and proposition is still not completed but everything indicates positive results. The draft includes how to shorten the lead-time and the development of spare parts to the new vehicles by doing the tasks in the project more in parallel and less in sequence. The goal of the parts department project is to find the most effective methodology for rationalising workflows whilst improving the efficiency of the processes.

In Sodertälje the Warehouse Manager, Per Lindvall, led the two last projects.

"We dealt with the cylinder liners because the project meets our demands for high potential improvement and with high turnover and high capital value. The project was carried out in three steps. First we mapped out the flow and how we could control it, and then we adjusted a limited number of parameters at a time. As our third step we went in and created manual order checkpoints, all according to the Kanban-model.

We must not underestimate the value of the manual orders. To improve the visibility within the warehouse, we started the project by piling the cylinder liners on the warehouse floor. Just by challenging our old system and picturing how the warehouse would look like in reality we were able to introduce improvements and save essential resources."

Today the same kind of work is being carried out with ten other components that meet the requirement of a high improvement potential.

Prodacapo in reality

In the parts department project, Lindvall's team used the Prodacapo model from the start. The company's design of the almost 900 different spare part batches is dependent on how they were designed in the beginning. It involves everything from simple parts to more complex items made up of over a hundred components. Mapping out the process was essential.

"We wanted to move the production start of the batches closer to the actual order, and by doing that we released tied up capital. In order to do this we have involved everyone from procurement, to product management, marketing and part developers", says Per Lindvall.

"The project involves all the expertise and experience that are required to decrease the cost of the warehouse- something that we would never have been able to do only with our own staff. We also needed to focus on the importance of mapping out our processes from purchase to delivery. So far we have shortened lead-times for about 20 different spare part commodities, which is an excellent result within this division", continues Per Lindvall.

He can also predict indirect effects from the methodology, among them greater involvement from the staff and shared common focus on the importance of costs.

Clarity and method

Hans Narfstrom believes in long-term improvement with a focus on continuity.

"By combining the cost with the activity through this ABC-methodology you can save considerable amounts in the short term – but the big potential, with a process map, lies in the long-term benefits."

A process map should always start with the customer according to Hans Narfstrom. By creating an overview of the organisation, "from the outside to the inside", mapping out the processes like services, physical flow and value flow, it's important to be able to create natural pull through the processes.

"The right perspective is from the "outside looking in". If you are working with a sub process in a big organisation, you share the overall processes, but it becomes easy to think that the sub-process goal is the only goal", says Hans Narfstrom.

This is no longer an issue at Scania Parts Logistics. Cost consciousness and flow orientation have become an important focus in the drive towards improved customer satisfaction.



ABM Systems Australia - Telephone: 02 9908 8909 Fax: 02 9908 8919

Street Address: Level 1 Bridgepoint, 3 Brady Street Mosman, Sydney. Postal Address: PO Box 420 Spit Junction NSW 2088. Web site: www.abmsystems.com

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