VALEO SERVICE NORTHERN EUROPE

DRIVING LOGISTICS INNOVATION IN THE AUTOMOTIVE AFTERMARKET

QUICK FACTS

Industry
Automotive – automotive suppliers

Revenue
€7.5 billion (Valeo Group, 2009)

Employees
35 FTE in logistics

Headquarters
Helmond, The Netherlands

Web Site
www.valeoservice.com

SAP® Solutions and Services
Warehouse management functionality within the SAP® ERP application, ASAP Focus methodology

Implementation Partner
Ctac Powerhouse

To maintain a dominant position in the competitive automotive aftermarket, Valeo Service Benelux B.V. replaced its legacy system with warehouse management functionality within the SAP® ERP application. As a result of the six-month implementation, Valeo increased inventory and picking accuracy, cut days in inventory, increased the warehouse fill rate, and cut order-to-delivery time – all driving higher customer satisfaction.

Key Challenges

- Need to increase delivery service levels
- Need to improve supply chain integration
- Stocking nearly 25,000 parts and accessories
- Low warehouse fill rate due to inefficient location control
- Picking errors due to unreliable inventory
- Inability to track orders, provide status to customers, or identify causes of problems
- Current system hard to adapt and unscalable

Why SAP Was Selected

- Satisfaction with existing SAP® ERP application and ease of integration with it
- Comprehensive warehouse management functionality fully integrated within SAP ERP and including best practices
- SAP's innovation, offering the latest industry practices and technology
- Availability of implementation partner with in-depth logistics knowledge and experience

Implementation Best Practices

- Strong management sponsorship and collaboration between line and IT
- Time-boxed approach with clear scope management and hard deadlines
- Requirement for compelling business case for nonstandard development
- Use of best-practice template and ASAP Focus methodology
- Thorough user training for fast adoption

Low Total Cost of Ownership

- Single technology platform for all processes
- No need for a message broker and interface development due to native integration of warehouse management and enterprise resource planning functionality
- Rapid implementation minimizing investment and future depreciation cost
- Reduced IT support and future upgrade costs by adopting standard software

Financial and Strategic Benefits

- Improved stock accuracy and replenishment to reduce stock-outs and revenue loss
- Removed storage restrictions and increased warehouse fill rate to eliminate a second external warehouse despite 20% growth in SKUs stocked
- Introduced new services such as same-day and direct 3rd-party delivery
- Improved traceability of orders and deliveries, raising customer satisfaction
- Replaced paper-based picking by mobile terminals, boosting accuracy and efficiency and reducing paper consumption by 95%

Operational Benefits

Key Performance Indicator	Impact
Order-to-delivery time	Was next day; now 4-5 hours
Inventory accuracy	+2%, now above 99%
Order pick accuracy	+2%, now above 99%
SKUs in stock	+25%
Warehouse fill rate	+15%
Days in inventory	-8%

Valeo

SAP®

"With the optimization possible with the warehouse management functionality of SAP ERP, we stock 25% more catalog parts but require less storage space."

Sven van der Pijl, Division Logistics Manager, Valeo Service Northern Europe

www.sap.com/contactsap

Part of the Paris-based Valeo Group, Valeo Service Benelux B.V. supplies original equipment spare parts to automakers and replacement parts to the independent aftermarket. It operates a state-of-the-art distribution center in Helmond, the Netherlands.

Valeo is aware that to maintain its strong market position, it needs to constantly improve customer service and operational efficiency. Division logistics manager at Valeo, Sven van der Pijl, explains, "We have some strategic advantages: the high quality of our assortment and our location in Helmond in the heart of the Northern European automotive industry. While many of our competitors have limited or no distribution centers in the Benelux, we maintain a broad stock close to our customers. This allows us to react quickly with short delivery times. However, with a growing product catalog approaching 25,000 items, it was quite a challenge to optimize our stock and ensure speed and accuracy."

Most of Valeo's issues were due to its legacy warehouse management system (WMS). The system did not maintain accurate inventory information or optimize warehouse utilization. It provided little traceability at detail level to provide customer status information or to solve issues. With the system not easily adaptable or extensible, Valeo decided to install a new WMS.

A Rapidly Implemented, Comprehensive Solution

Very satisfied with its existing SAP® ERP application, Valeo decided to implement SAP warehouse management functionality. Valeo managers judged that they would benefit greatly from seamless integration between the warehouse management and enterprise resource planning (ERP) functionality. Having the entire order-to-delivery process on a single platform would provide the necessary degree of control and traceability.

To guide the implementation, Valeo chose Ctac Powerhouse for its in-depth logistics experience and its Run4LES template for SAP warehouse management functionality. Leveraging this template and the ASAP Focus methodology helped eliminate the blueprinting phase and reduce the number of adaptations to an absolute minimum. As part of the transformation, electronic picking terminals were introduced to improve operations. The system went live in less than six months without any interruption of service.

Logistics Excellence in the Automotive Aftermarket

Since then, inventory and order picking accuracy have risen to well above 99%. The error rates have fallen so far that Hans Tolboom, IT manager at Valeo, can justly say, "With our transformed operations we have moved beyond 6-Sigma to 7-Sigma."

Valeo has also been able to increase the number of parts held in stock to 95%. This broad coverage is core to Valeo's service strategy. Van der Pijl notes: "Most competitors choose to hold few slow movers, but at Valeo we take a different view. Our customers appreciate our broad and reliable inventory, because it means they have less chance of delay due to a missing part."

The reduction of space needs despite the increased number of stocking items has been achieved through better inventory management, with days-in-inventory down nearly 10%, and much better utilization of the storage locations. The main warehouse fill rate has increased to such an extent that a secondary external warehouse was no longer needed. Vacating that warehouse delivered an immediate rental saving as well as reducing the complexity of operations.

Implementation Partner
Ctac Powerhouse offers in-depth functional and technical expertise in ERP solutions. Ctac provides tailor-made solutions for large-scale projects as well as solutions based on its own templates.

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