



HELLA KG aA HUECK & Co.

SLIM PROCUREMENT PROCESS BY OPTIMIZING THE KANBAN PROCESS

AT A GLANCE

“As part of standardized supply classes, a Best Practice process was developed with the introduction of the vendor Kanban process to ensure continuous material flow from the vendor to Hella. With the consumption-controlled parts supply, delivery schedules can be maintained reliably and warehouse stocks reduced drastically. Consequently, we are a step closer to our goal of just-in-time delivery.”

Torsten Schütte, Project Manager,
Hella KG aA Hueck & Co.

Company

- Name: Hella KG aA Hueck & Co.
- Location: Lippstadt
- Industry: Automotive vendor
- Products and services: Light technology and electronic components for the automobile industry
- Turnover: €3.6 billion
- Employees: 23,000
- Website: www.hella.com
- SAP solutions and services: SAP® ERP

The most important challenges

- Kanban integration in existing and established provisioning and storage processes
- Development of a rollout-capable Kanban standard

Project goals

- To integrate vendors in consumption-controlled production
- To minimize the materials planning effort
- To reduce warehouse stocks and costs
- Synchronization of delivery chain with external vendors
- Development of a Best Practice vendor Kanban process

Implementation highlights

- Expansion of the Kanban process from SAP ERP to dynamic warehouse management
- Connection of self-controlling external and internal control cycles

Decision for SAP

- Hella already has extensive SAP know-how
- Existing Kanban functionalities in SAP ERP

Main benefits for the company

- Fewer requirement fluctuations
- Efficiently planned warehouse stocks
- Minimized risk of delivery bottlenecks and shortages
- Decreased manual provision efforts
- Efficient utilization of resources in the entire delivery chain

Existing system landscape

- Database: Oracle Release 10.2.0.4.0
- Hardware: Linux X86_64



Increasing cost pressure and growing competition from the Far East: In this scenario, an efficient delivery chain decides the success. With the SAP® ERP based vendor Kanban process, Hella has its warehouse stocks and optimizes procurement.

Hella is one of the leading manufacturers of innovative light and electronic products in the world. With a turnover of about €3.6 billion, the Group employs around 23,000 people at 70 locations in more than 30 countries.

To consolidate a competitive position permanently, the vendor established the Hella Production System (HelPS). In addition to error-free, efficient production, HelPS particularly optimizes the material flow in the entire delivery chain. Since 2009, the SAP ERP based automated vendor Kanban has been contributing to it. It extends the production pull control at Hella to the procurement process.

Warehouse stocks highly reduced

The Kanban principle is oriented exclusively to the current consumption of products to be manufactured. In plain text: At Hella, only materials that can be produced within a definite time span are in stock. While earlier in the "old" Kanban process, an employee coordinated the corresponding orders manually. Today the SAP system starts the procurement automatically. "This reduces warehouse stocks of this supply class by up to 75% and simultaneously improves cooperation with our vendors", says Hella Project Leader, Torsten Schütte.

The system automatically detects quantities taken from the respective warehouse, generates automatic, summarized just-in-time calls and bundles them into a total order. Then this automatically accrues for the corresponding vendor via EDI message, Hella WebEdi or fax. Manual actions by the purchasing materials planning department are thus practically superfluous. Control takes place via the standardized Kanban monitor in the SAP system.

SAP ERP not only sends reports to vendors on the daily summarized just-in-time calls, but also informs them about medium-term requirements in weekly schedules. This increases the delivery guarantee. In this way, Hella can re-procure most Kanban materials within a few hours, as requirement fluctuations in the delivery chain are avoided. With the flexible adjustment of Kanban cycles and the call intervals (daily, shift-wise, hourly...), an optimized call control is guaranteed to the vendor.

Few modifications necessary

Hella established its electronic vendor Kanban almost on its own initiative. "We have extensive SAP know-how and could implement almost all requirements in the standard", says Project Manager Schütte. For special requirements such as a summarized just-in-time call system, Kanban control cycles based on WM-managed storage locations, inclusion of packaging materials and handling unit structure, the solutions were discussed with support from SAP. No differentiation of deliveries is necessary in goods receipt. The Kanban delivery is posted like any other goods receipt with a standard WETransaction.

The use of standard labels (VDA or Global Transport Label) is possible, as no defined Kanban numbers are required for the posting.

The vendor Kanban process lowers the warehouse stocks at Hella in a sustained manner. The manufacturer would like to implement the principle even in other plants in future. With this, Hella has taken an important step towards creating a synchronous delivery chain and continuous material flow.

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