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Keys to Success for Industrial Equipment Suppliers to Meet Today's Top 3 Issues



Prepared exclusively for Sage Software by Industry Directions, Inc.
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Demands on industrial equipment suppliers are higher than ever before. It's no longer adequate to provide high-quality products, even if the prices are competitive with suppliers from around the globe. These days, customers are not only making high demands for product specifications but also expecting a complete solution. Equipment suppliers are now solution providers who help ensure their customers' businesses are successful. The three top issues facing manufacturers and distributors of industrial equipment are:

- Meeting customer specifications for products and services presents a real risk to profitability if the company is not careful
- Expanding not only the product line, but also locations and services is often required to meet customer expectations for a complete solution
- Taking responsibility for customer uptime around the globe is demanding new resources and capabilities

Industrial equipment suppliers are in a whole new world. The keys to success as a solution provider certainly build on the core competencies of equipment manufacturers and distributors, but add entirely new dimensions to the business. Companies must appear to be as global as their customers and be perfectly responsive in each location or risk losing business.

Profit Risk

Industrial customers are demanding more from equipment manufacturers and suppliers in terms of delivery, equipment performance, operational performance, lower cost of ownership, on-site service responsiveness and replenishment, and cost reductions as spelled out in project contracts or service level agreements. There is considerable risk that projects and contracts will result in low margins or even a loss. The keys to success in balancing customer requirements with profits for industrial equipment are:

- Identifying actual costs in production, distribution, and field services to prepare profitable bids, contracts and order quotations
- Ensuring that bid specifications match what is delivered in final products
- Standardizing assembly designs and parts for greater modularity and cost savings
- Managing projects and contracts for cost control, on-time delivery, and project visibility
- Designing products for greater efficiencies not only in manufacturing and assembly, but also in ownership and ongoing service

To fully support these keys to success, industrial equipment companies need integrated enterprise solutions with a full set of financial and operations capabilities, as shown in the top portion of Figure 1. These include costing, quote and bid management, engineering change control, customer service, BOM analysis, and product configuration integrated to accounting and project management.

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Enterprise Solution Requirements for Profitable, Expanding, Wide-reaching Industrial Equipment Suppliers
Actual and job costing – beyond standard cost calculations
Quote and bid management based on accessible history of actual costs and times
Engineering change control management
Customer service tracking across product and service delivery
BOM analysis to help foster parts commonality and parts rationalization
Variant product structure for modularity and configurability
Integrated financial accounting for manufacturing and service operations
Integration to project management to ensure low-cost, on-time projects & deliveries
Performance reporting on financial and operations metrics
Multi-site inventory and spares management
Collaborative demand planning for parts replenishment and replacement with a lifecycle view based on history and other factors
Dynamic shipment planning and warehouse wave picking for high mix environment
Integrated service scheduling of human resource, parts, and other resources to ensure fast response to customer needs
Real-time integrated tracking, scheduling, and billing of field services for accuracy and speed of cash flow
Unified source of information across all operations to enable sound decision-making
Operations scheduling across manufacturing and distribution
Customer relationship management with call management, spares requisitioning, and field service process workflow
Alert notification and issue escalation as needed through defined processes
Inventory management with monitoring across raw, in-process, and finished goods in all locations – including service vehicles or facilities
Comprehensive knowledge base and customer data at call center personnel's fingertips
On-line information for customer self-service ordering, replenishment of parts, and service requests
Integrated system for consistent information about customers, contracts, product designs, service histories, technical documentation, and parts availability

Competitive Expansion

Equipment OEMs, suppliers and MRO distributors are offering more complete systems and solutions that complement their traditional core capabilities. This requires more inventory, facilities closer to customers, highly skilled field services personnel, and expanded capabilities. Many mid-size companies are struggling to successfully expand their organizations to keep up with the competition. Keys to success for remaining competitive and ensuring that customers see the company as their best choice for total solutions are:

- Minimizing stock-outs and products that do not move by sound demand and inventory planning
- Implementing continuous improvement programs such as Lean manufacturing and Six Sigma to keep a wide variety of business processes performing well with minimal waste
- Tightly linking field services with other operations for speedy and effective processes, spares fulfillment, and accurate billing
- Using flexible processes in design and development, manufacturing, warehousing, and service organizations
- Forecasting based on product lifecycle for parts replenishment and replacement
- Tying strategic long-term planning to operational metrics and performance

Figure 1: Industrial equipment manufacturers and distributors need broad and highly integrated enterprise software systems to support their expanding scope and resource needs as a total solution supplier.

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This expansion to remain competitive often also requires expanded capabilities in enterprise software systems, as shown in the middle section of Figure 1. Some of the key capabilities include multi-site inventory, sound demand and logistics planning, and full integration across functions from procurement through ongoing service.

Uptime Resources

Industrial equipment suppliers are increasingly finding success in service level contracts that ensure customers can operate their equipment. Since customers operate 24 hours a day and around the globe, this is a major challenge. When a customer needs help, they need it immediately to ensure minimal disruption to their operations. They need rapid shipment of parts, onsite support, and access to informed customer service reps. All of this requires that a variety of resources are available on an instant's notice. Keys to success include:

- Using accurate, up-to-date information about customers, product designs, service histories, technical documentation, and parts availability
- Managing all resources – human, materials, equipment, tools and facilities – for highest customer service levels
- Streamlining customer call management and having excellent field service operations
- Managing sourcing and inventory to assure parts can be replenished whenever customers need them
- Offering immediate, coordinated customer service or parts dispatching by means of effective call centers
- Providing self-service customer capabilities to enable them to solve simple issues
- Working with customers to develop complete premium services that meet their needs

To ensure resources are always available for customer uptime guarantees, enterprise software must have special capabilities also, as shown in the final portion of Figure 1. Key capabilities include operations scheduling, CRM, alerts, inventory management, customer data, and on-line service through a tightly integrated information system.

Ensuring Profitable Industry

While the industrial equipment market has been growing recently based on strong industrial and construction customer demand, companies cannot rest on their laurels. Industrial equipment manufacturers and distributors must continue to add greater value to maintain business and win contracts with new customers. The challenge is to be efficient enough to meet new demands while maintaining margins. Total industrial solution suppliers need a broad and robust enterprise software system to reliably make strong profits during this expansion.

About Industry Directions

Industry Directions is an independent market research firm that delivers expertise on business processes and IT solutions. Its expertise enables companies to optimize their participation in manufacturing-supported value networks and gain strategic advantage. To learn more, visit:

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