

Avnet, others address need for greater transparency in outsourced manufacturing operations

By Frank O Smith, senior contributing editor (fsmith@thewritinggroup.com) -- Manufacturing Business Technology, 4/1/2008

Outsourced manufacturing paired with extended value chains in fast-moving markets is a recipe for complex management challenges. Add lean to the value chain mix and more complexity will surface: inventory optimization at every step, to balance lean with replenishment order planning (ROP) and ensure coordinated responsiveness to the OEM.

“Existing ERP and supply chain planning tools do not adequately address the challenges faced by companies that are outsourcing manufacturing,” says Robert Gunn, senior VP of **Serus**, a supplier of intelligent operations management solutions.

“We began with a focus on the semiconductor and high-tech verticals, where the market life cycles are accelerating,” continues Gunn, adding that Serus company founders saw an opportunity to deliver a new class of software that would overcome the limitations of the ubiquitous tool used by most companies: spreadsheets.

“Our solution provides multiple data source integration, inventory visibility, and end-to-end process collaboration across the value chain,” says Gunn.

Robert Parker, research director for Framingham, Mass.-based **IDC Manufacturing Insights**, concedes the need for such a solution.

“Serus focused on an industry where there was a 'burning platform' need—a high sense of urgency for visibility into dispersed operational processes across a broad supplier network,” says Parker. “An intelligent operations management solution organizes underlying data from multiple sources and puts it in context where you can monitor dispersed operations, quickly perform analysis, and take action,” he says.

It was exactly the type of solution that **Avnet**, a Phoenix-based global distribution company, needed for compliance with a directive from one of its major customers: a global Tier 1 OEM that was transitioning to lean and challenged its suppliers do so as well.

“When evaluating the available sources that could support our OEM’s needs while providing the automation that Avnet required, we selected Serus as our software provider,” says Barbara Paulsen, Avnet Electronics Marketing (EM) director of global business management.

Avnet EM supplies programmed components to contract electronic manufacturers (CEM) that build to the OEM’s demand, and to OEMs themselves. Avnet EM also delivers supply chain and design chain services in support of the products it sells.

Serus enables Avnet to collaborate with both the CEM and the OEM to coordinate inventory management in sync with the aggregated demand of the entire supply chain while simultaneously adhering to lean requirements and meeting its obligation of 99.9-percent service levels to the OEM.

Using Serus, Avnet disaggregates total component demand into the appropriate subcategories it needs to manage the value-added step of component programming it performs, applying different program sets to the raw component in the correct volume to meet the overall order. Then the system reaggregates it all properly to provide visibility to its partners.

“Serus enables us to accurately establish the replenishment size that triggers lean inventory management,” Paulsen says, adding that Avnet uses the solution to consider various sizing alternatives and determine which provides the best overall value. Calculations can be tied to either past consumption history or forecast, or both.

“We now have a tool at our fingertips to consider the impact of variables before we push the button to reorder,” Paulsen says, adding that productivity improvements on Paulsen’s staff have been significant in moving to a fully automated planning solution—including eliminating the eight hours per week formerly required to manually manage the data.

“Productivity improvement has been amazing,” she concludes.



Barbara Paulsen, Avnet electronics marketing director, says the Serus intelligent operations management solution enables Avnet to collaborate with both contract electronics manufacturers and the OEM in coordinating inventory management in sync with the aggregated demand of the entire supply chain.