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Integrated processes for the Krones spare part business

Processes for spare parts logistics in SAP reorganized

The Krones group headquartered in Neutraubling, Germany, designs, develops and installs machinery and complete lines for the beverages and liquid food industry.
Since founded in 1951, the market leader has developed far beyond being a traditional machine and plant manufacturer. As a system supplier, the company provides all machinery and systems required for production, including components as well as intralogistics and IT solutions. Krones has become a one-stop solution provider for its customers. More than 100 subsidiaries worldwide provide lifecycle services for Krones products.

Continuous improvement of lifecycle services

Krones' high quality standards are not limited to technology. With its Lifecycle Service (LCS), Krones offers a comprehensive service package for customers' production lines, including inspection, maintenance, repair and performance enhancements.

A high level of technical expertise, rapid response and adherence to schedules are key factors here. This is why Krones places its focus on continually improving the processes supporting the service and spare parts business.

Krones uses SAP for the manufacturing of new machinery as well as the logistics of spare parts. Previously, processes for both operations had been mapped within SAP within a single business unit («plant»). Given the strong interdependencies between the processes, which in some cases had been implemented inconsistently over time, the specific requirements of the spare parts business could be no longer configured adequately.

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Impacts arising from a historically grown process landscape

As the new machinery business unit was in the lead for sourcing parts, the spare parts unit could not implement separate sourcing strategies and was thus unable to choose its own external suppliers and quantities of sourced parts.

There was no clear separation of stocks. Within the operation, however, both the new machinery unit and the spare parts unit had access to the same parts in store or in production. When availabilities were checked, the same parts were displayed as available to both units. Later, when both units happened to request the parts from stock, the shortfall was detected.

The material flow from the production sites to the spare parts logistics as well as in-house transport times for parts were inconsistent and not mapped uniformly within the system.

All these factors meant that the automatic availability check could not provide reliable results for scheduling customer deadlines.

This situation had several negative impacts:

- *Insufficient transparency*
  As a result of the incomplete traceability of parts., no precise information could be given about where parts were stored and when they would be available.
- *Unreliable scheduling information*
  The various input channels for customer orders had no up-to-date and trustworthy data on which to reliably base delivery dates.
- *Reactive schedule management*
  In the event of production disruptions, the customers could not be informed immediately because delays were not identified until the scheduled delivery date.
- Costly, manual resolution in cases of conflicts
- Unexpected delivery delays and dissatisfied customers

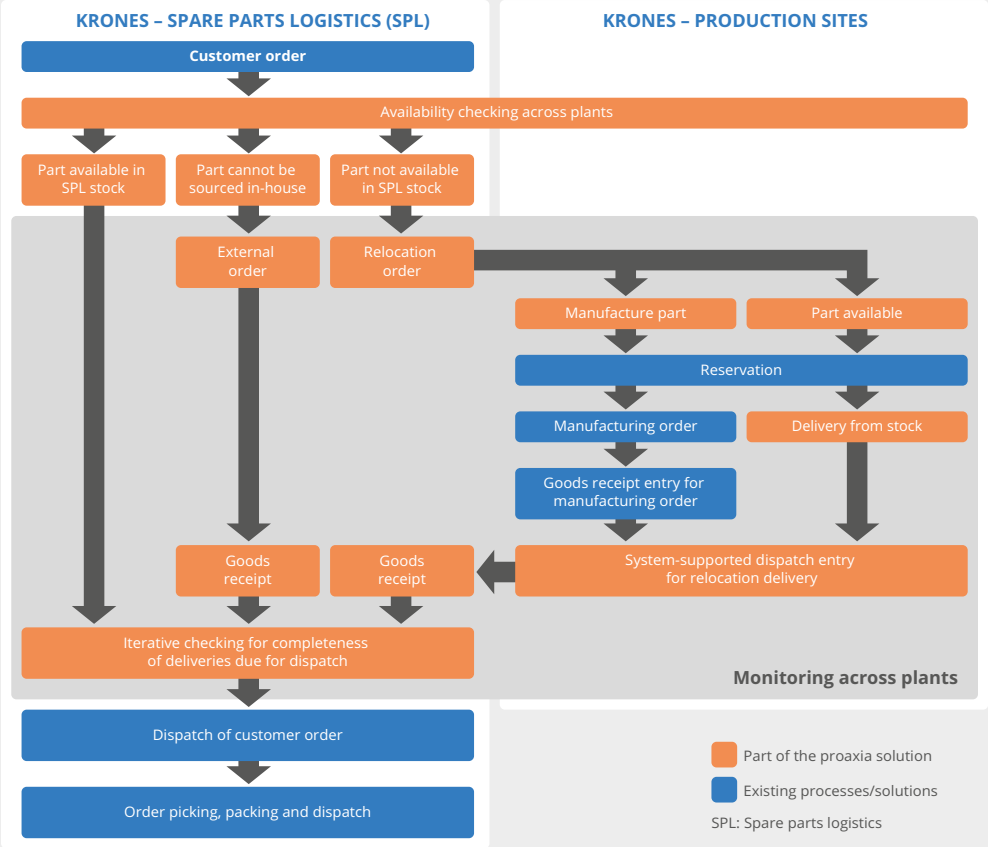
Reorganization of plants and processes within SAP

In terms of sourcing, the requirements of the spare parts unit are incompatible with those of the new machinery unit. The shortest possible delivery times are required even for small quantities, while at the same time reliable delivery dates must be communicated to customers. Speedy sourcing, specific sourcing strategies and targeted selection of suppliers are equally critical for success as is transparency of stock availability to ensure customer delivery.

In order to optimally support the increasing volume and the specific requirements in the spare parts business, Krones decided to reorganize the related processes.

Goals

- **Enhanced customer satisfaction with spare parts supply**
- **Enhanced reaction times and compliance with delivery dates**
- **Predictive delivery date management**
- **Enhanced transparency and throughput time of spare parts processes**



Premium order processing through automated processes

After a thorough analysis of the existing processes, the following measures were taken:

- An independent business unit for spare parts logistics was set up
- Spare parts logistics was also mapped as a separate “plant” in SAP
- Spare parts logistics authorized to source parts (from external suppliers)
- Optimization of spare parts sourcing processes serving more than one Krones plant
- Standardization of relocation processes for all production sites in Germany (internal suppliers for the spare parts logistics)
- Introduction of consistent monitoring processes for all plants
- Automation of monitoring and relocation order processes
- Definition of clear interfaces between the spare parts logistics unit and the production sites, the sourcing department, and the sales department

Implementation of the separate plant within SAP required radical changes to the existing process landscape. The processes responsible for numerous shared tasks had to be reorganized in order to clearly separate the spare parts business processes from the new machinery processes. Various partial processes such as relocation were standardized across plants in order to allow large-scale automation of availability checking, sourcing and monitoring.

Availability checking across SAP plants automatically identifies the quickest sourcing channel, sets the delivery date, and triggers the sourcing process.

Monitoring across plants provides real-time data covering the entire sourcing and manufacturing process, including calculation of delivery dates and in-house transport times. Scheduling, deadline verification and reminders are based on reliable data.

The changes affected many departments. For this reason, detailed coordination across the organization was a key prerequisite for successful implementation of the new solution.

To firmly establish the new processes within the organization, several information events and workshops were held during the project. The measures affected more than 1200 staff members including all members of the production department responsible for entering goods receipt and dispatch as well as all sales staff at LCS.

Benefits for the business

- Strong customer orientation
- Reliable scheduling with customers
- Transparent and measurable flows of goods
- Lean, documented processes across business units
- Reliable monitoring

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Klaus Grimme about the project

Klaus Grimme
Head of Operations
Central Lifecycle Service

KRONES

You have reorganized the processes in the spare parts business. What have you been able to accomplish?

With this project we have achieved considerable improvements: Transparency, speed, lean processes and more reliability. All of this helps us to serve our customers better.

Our LCS plant is now authorized to source parts and can act according to the market requirements. The newly implemented monitoring function provides us with reliable data about stock availability and delivery conditions for the individual parts.

> In this way we can plan our business exactly, delivering to our customers on schedule and give binding schedule information at all customer touchpoints.

This is a significant factor in boosting customer satisfaction.

Close to SAP standard implementation serves as a good basis for future improvements. As a next step, we are implementing the use of scanners for in-house relocation. This will allow us to automatically register the entire flow of goods in the system.

You decided on proaxia as your partner in this project, why?

For this project, we had prepared a large-scale invitation to tender and proaxia convinced us on several levels.

> A particularly important reason for us was proaxia's high level of experience with service processes and complex SAP landscapes.

proaxia's consultants have extensive experience in dealing with processes in the service and spare parts logistics business. They have a strong track record in SAP implementations and closely collaborate with SAP. Their company culture and philosophy match our own values. Last but not least proaxia offers good value for the money thanks to its nearshoring capacities in Poland.

About proaxia consulting group ag

proaxia consulting group ag is an international consulting firm headquartered in Switzerland and with branches in Europe, MENA and Asia. As an SAP partner, proaxia specializes in sales and service processes as well as spare parts logistics processes.

More information

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