Hubbell

TrueCommerce Datalliance Platform

Hubbell Reduces Cost & Effort While Improving VMI Program

BENEFITS
**More Connected. More Supported.
More Prepared for What's Next.**

➤ Hubbell established successful VMI program in early 1990's, but in-house system required considerable IT cost and effort

➤ Selected Datalliance to support second generation VMI program

➤ Now realizing even greater results from VMI while eliminating all "system management" issues

DATALLIANCE VMI DELIVERS

➤ Eliminated the need for 3 IT support personnel

➤ Enabled 100% focus on customers, eliminating "system" concerns

➤ Improved tools for managing product mix at distributors

➤ Improved distributor service levels, inventory turns, sales, and transaction costs over 1st generation VMI program

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John Riley
Sr. Director Hubbell eCommerce & Business Automation, Hubbell Incorporated

BACKGROUND

Hubbell Incorporated is an international manufacturer of quality electrical and electronic products for a broad range of non-residential and residential construction, as well as industrial and utility applications. The company has been an integral part of the growth of the electrical equipment industry and a pioneer in the development of new products and technologies. Hubbell operates manufacturing facilities in the U.S., Canada, Puerto Rico, Mexico, Italy, Switzerland, Brazil, Australia and the United Kingdom. The company's network of independent electrical distributors, who provide Hubbell products and their own expertise to the end-user, is a critical asset.

BUSINESS CASE FOR VMI

In the early 1990's, Hubbell saw the value in VMI and recognized it as an opportunity to gain a competitive advantage in the electrical industry. The challenge at the time was that distributors hesitated to embrace VMI as they did not yet trust suppliers to manage their inventory. "As was common at the time, most of our distributors felt they could do a better job of inventory maintaining control over the inventory replenishment process," explains John Riley, Sr. Director Hubbell eCommerce & Business Automation. "To win over our distributors to the concept of VMI we initiated a program called 'Profit Improvement Program'. This program was very successful in bringing distributors into our VMI program as they were financially rewarded for increased sales through VMI. As their sales

increased they realized the value of VMI. This was a win-win for Hubbell and our distributors from a business perspective and it helped initially win over our major distributors to the concept of VMI."

At the time we started VMI, e-commerce applications were not widely adopted in the electrical industry, but Hubbell saw several advantages to embracing the concept of vendor managed inventory. "There was a clear opportunity for us to reduce costs and improve service to our customers through e-commerce," explains Riley. "We conducted a study with Gartner Group to determine purchase order transaction costs and found that traditional manual purchase orders cost $30-55, EDI transactions cost $3-5, and VMI transactions cost $1-3. Not only did we see VMI as way to reduce the transaction cost for each order, but we also felt it would allow us to reduce the total number of purchase orders. The planning and replenishment logic of VMI would eliminate many of the small, ad-hoc replenishment orders, helping us consolidate orders for individual distributors, therefore reducing the volume of purchase orders."

FIRST GENERATION VMI AT HUBBELL

Hubbell's first generation VMI system was a traditional software package. "It worked OK, but only with considerable support from our in-house IT organization," states Riley. "We had to handle all of the hardware and software configuration, database support, distributor definitions, communications issues, etc. – all the behind the scenes

support required to get the system up and running as well as the ongoing system operation and maintenance. Hubbell is not in the IT business and we did not do a great job at all the back office technical system support that was required." Hubbell dedicated three full-time IT resources to maintain the IT infrastructure required to keep their VMI program running smoothly. "This effort and its associated cost provided no value to our business and was an additional overhead expense for our VMI program," summarized Riley.

SECOND GENERATION VMI USING DATALLIANCE

Though Hubbell was realizing value from their VMI program, the costs and effort to support and maintain the system were high. "We moved to Datalliance to take advantage of the latest technology and the Software as a Service (SaaS) approach," says Riley. "It gave us all the benefits of our existing VMI program and more - but at a much lower cost. By taking the IT system and infrastructure costs out of the picture, we dramatically reduced the costs of running our VMI program." The SaaS model allowed Hubbell to concentrate on running their business and not get tied up with the IT requirements of running "the system".

They no longer had to update and maintain the software, backup files, deal with data acquisition problems, and perform all the IT tasks that previously consumed valuable time and budget.

"Eliminating the IT resources and costs has allowed us to re-allocate those resources to direct value-added activities in the form of VMI customer service reps," explains Riley. "We are now able to focus 100% of our activity directly on customers. Our VMI reps work with our field reps to fine tune the VMI process with each distributor. This enhances customer relationships and makes our VMI program more successful in terms of increased business for both our distributors and Hubbell."

BETTER RESULTS - LOWER COSTS

Hubbell found that the VMI logic in Datalliance to do inventory smoothing and calculate the correct product mix is more sophisticated than their first generation VMI software. "Each distributor relationship is unique and Datalliance gives us the tools to fine tune the product mix for each individual customer based on a variety of factors and variables that differ from distributor to distributor," explains Riley. "Datalliance is also much easier to use and more intuitive than our original VMI system."

The key to Hubbell's current VMI program is working closely with customers to get the right mix of products on the shelves. The right mix creates better turnover and increases sales velocity. "With Datalliance VMI we see and track actual customer demand on a daily basis which allows us to anticipate appropriate quantities and timing of replenishment orders.

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Prior to VMI we had to wait for customers to exhaust their current inventory and then react to their needs. With the daily insight provided by Datalliance we have eliminated what amounts to a two month blind spot, allowing us to proactively address market trends and smooth demand variations. We also track what products do not move and eliminate those products from the distributor mix. This ongoing refinement results in the ultimate mix of product for each distributor and increased sales for the distributor and Hubbell."

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"Hubbell and Datalliance are also the 'right mix' of companies," states Riley. "Datalliance is the right VMI service for us, at a cost of ownership that is significantly lower than what we experienced with our initial VMI system. The Datalliance Customer Care group provides good old-fashioned customer service. They are always available, no recorded messages – you talk to a knowledgeable person who answers your question quickly and accurately. I can't say enough about the quality of the Datalliance staff – they are knowledgeable on all aspects of VMI. Datalliance is quite simply, easy to do business with!"

ABOUT TRUECOMMERCE
TrueCommerce is the most complete way to integrate your business across the supply chain, integrating everything from EDI to inventory management, to fulfillment, to digital storefronts and marketplaces, to your business system and to whatever comes next. That's why thousands of companies across various industries rely on us.

TrueCommerce.
Do business in every direction.

THE TRUECOMMERCE TEAM IS HERE TO HELP!
If you have any questions regarding TrueCommerce, or how our solutions apply to your business, our passionate, customer focused team is here for you.
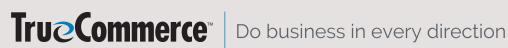
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