

How to improve the performance of the purchase department and the suppliers



Project start date:
2011

ERP: SAP

Users: 6

Industry:
hydraulic pumps

Integrated
suppliers: 400

Varisco, leader in the production of hydraulic pumps, implemented IUNGO to improve the communication between buyers and suppliers. This case constitutes a clear example of how the necessity of reducing delivery time, emphasised by the economic crisis, led to renovation of internal procedures and to competitiveness reinforcement.

VARISCO, THE RESILIENT ITALIAN MANUFACTURING

Varisco was born in Padua in 1932 for the production and commercialisation of pumps for industry, construction, private sector, fire prevention and emergency systems. A family name, Varisco, which has quickly become very familiar and well known in the world as a synonym of high quality in the design and construction of pumps. The company is now part of a multinational corporation that is specialised in a specific niche market. A technological investment plan for the purchase of the latest generation machine tools made the Varisco production centre in Padua one of the most valuable industrial examples in this sector. Today the company employs more than 100 people and the turnover is at about 27 million euros a year, +8% in 2012.

The company boasts an Innovation Centre to study and improve designing and construction materials, and to develop new environmental and occupational safety systems to comply with the strict norms regulating these fields. Innovation, continuous research and new technology implementation are the key elements that allow Varisco to face the ongoing economic contraction, maintaining and strengthening its market position.

IUNGO PROJECT: INNOVATION FROM THE FACTORY TO SOFTWARE SOLUTIONS

Varisco's innovative nature is not limited to production processes, but also involves the automation of many business procedures.

"The first consequence of this difficult moment is that it is necessary to reduce the delivery time in order to stay in the market", comments Daniele Zanovello, Purchasing Manager of Varisco, and continues, *"it was evident from the beginning that we had to find a way to automate the communication process between buyers and suppliers, in order to improve performances and reduce the lead time"*.

Before implementing IUNGO, Varisco's purchase orders were all printed and sent by fax or email, with pdf attachments. The choice of confirmation was left to the supplier's goodwill and their evaluation was assigned to the buyer's experience, discretion and initiative. *"The main problem of our system was that it was impossible to give priority to certain orders, making production planning extremely complicated. From time to time, the production department told us what goods had a top priority, and buyers proceeded with a manual reminder. But with 370 active suppliers and 14.200 order lines to run every year, the company risked losing competitiveness"* says Zanovello. In 2011, Varisco chose IUNGO as the software platform



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to manage their supply chain.

IUNGO, among the best of breed solutions on the Italian market, is a web portal that allows companies to manage their supply chain, from the development of a new product to sourcing, from procurement to invoicing. The user has access to a web portal where they find the updated picture of the orders, integrated to their ERP. Suppliers interact with customers through the IUNGOmail, the patented email messages generated by IUNGO that allow them to submit changes and confirmations, downloading or uploading attachments etc. IUNGO receives the feedbacks and updates the ERP and MRP systems that are integrated.

A SOFTWARE PLATFORM AS FLYWHEEL EFFECT TO ENHANCE PERFORMANCE

Now Varisco uses IUNGO to manage purchase orders (5000 printed orders eliminated), confirmations, attachments and specifications, weekly reminders and daily updates on the priority orders close to expiry date.

“The strategic aspect of this tool is that it allows us to evaluate the supply chain’s performance and to share it with our suppliers, so that they know exactly what Varisco really needs at the moment. Reminders or anticipations/postponements of delivery dates make them immediately aware of our requests” comments Zanovello, and continues, *“we share individual evaluation scores with our suppliers and this motivates them to be more efficient because it is a reliable litmus test of their competitiveness.”*

Not only has IUNGO improved communication with the supply chain, but it also optimised the purchase department’s performances. *“We had the possibility to develop marketing strategies in our purchase department, because now it is no longer congested with thousands of orders. Thanks to the automation of processes, our purchase department can effectively monitor every single supplier and make strategic choices. IUNGO re-educates buyers to perform high added value tasks. This way, the purchase department can find again its strategic role that had been neglected*

because of a chaotic and non-automated “management of activities.”

Automation also affected the information flow between warehouse and production line regarding third party manufacturing. *“When we get an order for third party manufacturing, the IUNGOmail warns the warehouse that the materials are arriving and automatically informs the supplier when the goods are ready for pick up”*, concludes Zanovello.

The integration of the supply chain was quick and immediate. The initial phase of the project involved 70% of suppliers and the process is going on to integrate the totality of them.

