

# Midea Boosts Sales by 40%, Reduces Inventory Levels by 10%



Midea Group Share Co., Ltd.  
Guangdong, China  
www.midea.com.cn

## Industry:

Consumer Products

## Annual Revenue:

More than US\$1 billion

## Employees:

More than 10,000

## Oracle Products & Services:

Oracle Database  
Oracle Discrete Manufacturing  
Oracle Order Management  
Oracle Financials

## Key Benefits:

- Increased sales by 40% and reduced product delivery cycles by streamlining workflow for each distribution channel and product line
- Improved productivity by 15% and brought production costs under control by establishing a more efficient manufacturing processes
- Reduced inventory levels by 10% after enhancing efficiency of order management

*"Oracle E-Business Suite enabled us to centralize our human resources, assets, production, supply, and distribution management. It allowed us to extend a supply-chain management system to more than 1,000 distributors and suppliers, ensuring our international competitiveness." — Huang Jian, General Manager, Household Electrical Appliances Division, Midea Corporation*

China is widely recognized as the engine room of world economic growth in the new millennium. The developed world's seemingly endless appetite for household conveniences such as air conditioners, dishwashers, microwaves, and specialized cooking appliances fueled dramatic growth for the emerging Asian economic superpower. Nevertheless, China remains a land of contrasts, where the latest robot-controlled assembly lines run headlong into entrenched workplace processes and outdated management practices.

Guangdong-based Midea Corporation illustrates how rampant economic success can lead to haphazard growth. Founded in 1968, the company's entry into the household appliance market in the 1980s triggered a period of rapid prosperity. The company quickly scaled from a small commercial goods supplier focused on domestic markets into a global force in home appliances.

Midea now sells more than US\$2.1 billion (CNY17.3 billion) worth of air conditioners, home appliances, and kitchenware around the world each year. It listed on the Shenzhen Stock Exchange in 1993, and by 2002 it was ranked as the 66th-largest enterprise in China, according to the State Statistics Bureau. The company employs more than 30,000 staff in six manufacturing plants, and maintains distribution networks throughout China and sales operations in Canada, Germany, Japan, Korea, Russia, and the United States.

Unfortunately, Midea's management information systems struggled to keep pace with this explosive growth. Continued reliance on manual purchasing and financial systems to manage complex supply chains and a worldwide distribution network was

proving increasingly problematic for the company. With mounting losses due to inaccurate transactions, the company began looking for an end-to-end supply chain management solution to regain control over procurement.

"Our purchasing system was no longer capable of supporting our production volume, so our manufacturing plants were becoming increasingly inefficient," said Huang Jian, general manager of Midea Corporation's household electrical appliances division.

"Procurement was riddled with human errors, job runs were spoiled, and we had material shortages and mismatches. Rather than being on-hand, our inventory was out of hand."

### **Demanding Manufacturing Environment**

With the overview section complete, it's now time to give more Midea's production environment was exacting for any potential manufacturing applications suite. The company produces more than 10 million household electrical appliances annually using 10,000 different parts from 300 suppliers. Some 30 warehouses hold inventory for distribution through a global network of more than 700 partners.

With such an extensive production and distribution environment, it was little wonder that a team of 15 employees using manual processing systems struggled to stay on top of the daily load of more than 300 purchase orders. Realizing the need for a modern, software-driven approach, Midea embarked on a lengthy review of leading enterprise resource planning (ERP) contenders before finding a system that offered sufficient scale and functionality: Oracle E-Business Suite.

"Midea needed a platform that could automate and streamline order management and production processes and expand to accommodate sales," Huang explained. "Understanding our workflows and business operations was vital to controlling costs and competing effectively in the global market."

### **Standardized Order Management Drives 40% Sales Increase**

Oracle Order Management significantly improved operational efficiency at Midea by creating standardized processes that can be easily adapted for each distribution channel and product line. A nationwide broadband network ensures the latest sales information from Midea's core business applications is instantly

available to business partners. The Oracle e-commerce platform enables distributors to check inventory on the spot when processing orders, leading to an estimated 40% rise in sales.

"Order management and inventory maintenance directly affect operational costs and the competitiveness of our products in the market," said Zhou Yifa, purchase order manager for Midea Corporation. "Midea lowered inventory costs after cutting on-hand stock by 10% and standardizing purchase order workflows. We also improved supply-chain efficiency to ensure we are better prepared for peak sales periods."

Midea also reduced its costs and improved supplier relationships by replacing traditional phone and fax ordering with online ordering from a comprehensive sales catalog. Greater use of e-commerce is a significant factor in Midea's growing sales success. Communications costs for Midea and its suppliers were reduced, and transaction efficiency enhanced. The Midea sales team can now pay more attention to customer and partner service instead of spending time on order processing.

The new system enabled financial data from the company's manufacturing departments, including production costs and accounting information, to be loaded directly into Oracle Financials. Integrated production, distribution, and financial data give the Midea management team instant access to accurate production costs, while systematic management of accounting, purchasing, and work processes strengthen control mechanisms.

### **Flexible Production Plans Lift Productivity by 15%**

"Before Midea started using Oracle, poor coordination between the production, supply, and sales departments meant production plans were often inaccurate and based on out-of-date information," said Liu Lirui, financial director of Midea Corporation.

*Established in 1968, Midea Group is a comprehensive and modern business conglomeration engaged mainly in the industry of household appliances, as well as the domains of real estate and logistics. The group is also one of the largest manufacturing and exportation bases of electric appliances in China.*