

Midea Refrigeration Group Optimizes Supply Chain Management



Midea Refrigeration Group
Shunde, Guangdong, China
www.midea.com.cn

Industry:
Industrial Manufacturing

Annual Revenue:
US\$3.2 billion

Employees:
28,000

Oracle Partner:



IBM Business Consulting Services
Beijing, China
www.ibm.com/bcs

Oracle Products & Services:

Oracle Database
Oracle Financials
Oracle Assets
Oracle Cash Management
Oracle Procurement
Oracle Order Management
Oracle Inventory Management
Oracle Discrete Manufacturing

“The Oracle supply chain management system helped us improve production efficiency. As a result, we increased on-time delivery rates, reduced inventory levels, and lowered procurement costs.” – Kuang Guangzheng, IT Director, Midea Refrigeration Group

Guangdong-based Midea Refrigeration Group is China’s largest manufacturer of air-conditioners and refrigerators. The company boasts one of the biggest production facilities in the country, as well as a national research center. Its products are sold in more than 100 countries.

Midea Refrigeration installed Oracle E-Business Suite in 1998, making it one of the first household appliances companies in China to use the solution. The company’s domestic growth and overseas expansion had affected supply chain workflows by forcing changes to production planning and logistics.

In July 2005, Midea Refrigeration upgraded to Oracle E-Business Suite 11i to support global expansion and boost competitiveness. The solution enabled the company to improve supply chain management and coordinate production and sales processes.

The success of the project enabled Midea Refrigeration to increase on-time delivery rates to 90%, reduce on-hand inventory by 70%, and lower procurement costs by establishing a portal to improve communication with suppliers.

Streamlining Manufacturing Processes

In a bid to reduce costs and improve customer satisfaction, Midea Refrigeration decided to redesign its procurement and supply processes, and establish an order-oriented business model. The company was finding it difficult to ensure the quick delivery of sales and planning information to the production team as its business expanded.

Midea Refrigeration established a supply chain management system based on a range of Oracle E-Business Suite modules. The system enabled the company to:

Key Benefits:

- Improved production efficiency by automating workflows and centralizing planning
- Boosted on-time delivery rates from 40% to 90%
- Reduced on-hand inventory by 70% through more efficient stock usage
- Lowered procurement costs by introducing a portal to better communicate with suppliers

- Standardize demand management, formulate production plans based on orders, and trace the status of orders throughout the manufacturing lifecycle;
- Centralize production planning for maximum efficiency;
- Establish a 'job tree' to define individual job roles in the production process; and
- Set up a closed loop supply chain, ensuring suppliers provided the required materials within set deadlines.

The Oracle system creates production plans according to the demand and priority of orders. It takes into account all production processes, from procurement to inventory management and distribution, when developing manufacturing schedules. This promotes maximum productivity by ensuring the general and parts assembly lines work in tandem with each other. The improved efficiency enabled Midea Refrigeration to reduce the number of production planning staff from dozens to just 10.

On-Time Delivery Rates Reach 90%

Midea Refrigeration has successfully integrated the Oracle production system with its domestic and international distribution systems. Local and overseas order information and after-sales service data are collated before being made available to the production department. Staff can track the progress of individual orders, ensuring they can quickly address any potential hold-ups and respond promptly to customer queries.

Problems such as missed orders or inaccurate production plans due to lost or incomplete information have been eliminated. Greater control over manufacturing processes enabled Midea Refrigeration to improve on-time delivery rates from 40% to 90%.

On-Hand Inventory Reduced by 70%

The Oracle system has given Midea Refrigeration greater control over inventory management. Materials are procured according to production demands and the delivery time is calculated every hour, enhancing the efficient movement and usage of stock.

The company can monitor inventory information at every stage of the production cycle, including the required amount for a particular order, quantity ordered, actual shipping amounts, and delivery dates. Not only has Midea Refrigeration improved the reliability of the supply chain, it also reduced the amount of inventory held at its warehouses by 70%.

Lower Procurement Costs

Midea Refrigeration established a portal to make it easier to order materials from suppliers. This ensured the accurate and timely placement of orders, and cut the workload of procurement staff. The company reported a reduction in procurement costs as a result of introducing the portal, which has improved communication between Midea Refrigeration and its suppliers.

Suppliers can also use the portal to view announcements from the company on any changes to procurement processes and delivery deadlines, and confirm the receipt (or rejection) of delivery from Midea Refrigeration. In addition, suppliers can check accounts online according to delivery bills, reducing errors and speeding settlement time.

Why Oracle?

The Oracle supply chain management products provide information that improves efficiency and supports informed decision-making and effective management. The integrated solution facilitates comprehensive automation of all sectors of the enterprise. These were compelling reasons for Midea Refrigeration to adopt the solution.

“We believe the use of Oracle can help establish strong relationships between the company and its suppliers and customers,” said Kuang Guangzheng, IT director at Midea Refrigeration. “The software provides management tools to automate workflows, as well as convenient online access to information for employees, suppliers, and customers. The efficiencies will reduce costs, improve product quality, increase revenue, and elevate customer loyalty.”

Why IBM Business Consulting Services?

Midea Refrigeration selected Oracle Certified Advantage Partner IBM Business Consulting Services to manage the upgrade. “The company has sound experience in implementing similar systems within the industry, as well as good management skills, especially in project planning and timeline control,” said Kuang.

Implementation Process

Midea Refrigeration worked with IBM Business Consulting Services to design, install, and test the Oracle system. The upgrade began in July 2005 and was completed in March 2006.

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