



# Strategies for EMS providers in current crisis

*Perzeptron's co-founder and CEO, Markus Renner, argues that process optimisation is the secret to higher liquidity, shorter lead times and better delivery in these troubled times*

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Declines in sales of up to 25 per cent, empty order books and cancelled orders: the Covid-19 crisis is having a dire impact on many electronics companies. If you're not in the medical industry, you need to cut costs hard. However, there are also opportunities. Take the time to optimize your materials management and order processing. Build transparency and a consistent data pool. Leave Excel lists behind. If this crisis has taught us anything, it's to value our time.

How much time is wasted by purchasing teams looking for missing parts, bottlenecks in materials management or the status of a manufacturing order? How much energy does distribution pour into internal calls to provide customers a reliable delivery date? How much effort does production expend determining which orders need to be fulfilled this week? All this while short-time work and sick leave are eating organizations' manpower. Over 20-years consulting

experience in the electronics and EMS industries has taught us it takes courage and will power to achieve these goals, including absolute transparency in materials management and order processing.

Regarding courage and will power, it should be noted that EMS material costs account for 60 to 80 per cent of manufacturing costs, making them a crucial factor. Many EMS companies have opted to maintain high inventory levels to ensure availability of rare parts. However, high inventory levels do not guarantee delivery excellence. In fact, they curtail a company's flexibility. Even worse, if manufacturing orders are cancelled or fail to materialise, the effect increases exponentially. This ties up money needed for purchasing materials for new orders.

The picture might seem gloomy, but the potential for savings is enormous. Information management and material handling are

areas where companies can use simple tools to boost productivity and liquidity. Process efficiency is the quotient of an order's processing time and its total lead time, which in electronics manufacturing is often well below 10 per cent. The trick is aligning the scheduling frameworks with the appropriate bottlenecks.

Instead of starting manufacturing orders with ordering all materials, order start dates and purchasing orders should be aligned with the date on which eliminating bottlenecks for critical components becomes possible. The result: shorter lead times and decreased idle times for orders. This means reduced capital commitment and more productivity by focusing on those manufacturing orders which can realistically be fulfilled. This also leads to greater delivery date transparency and better on-time delivery.

Keeping an eye on orders, purchasing on time and detecting/eliminating

bottlenecks must be based on a transparent, common data pool which is available to purchasing, manufacturing, logistics, distribution and management.

To this end, Perzeptron has developed MiG Materials Management in Balance. MiG is an add-on for existing ERP systems designed to analyse and visualise data in those systems. Separate views, analysis and optimisation are offered for different departments. This is designed to improve coordination between departments and improves collaboration. As every user has access to the same data set, there is no room for ambiguity or doubt.

MiG is all about setting priorities, highlighting orders with missing parts in the manufacturing overview so production management and logistics can adjust the manufacturing processes. Simultaneously, purchasing can react to ensure all materials required by the order are available when needed. Employees continuously monitor material movement, making strategic decisions to optimise the procurement process. Spending hours searching for parts and information is eliminated, as is hurriedly ordering missing parts at inflated prices or rescheduling the manufacturing process at short notice. MiG's advanced edition includes integration with components distributors. At a glance, purchasing can see inventory levels and prices.

Introducing a few simple measures can have a noticeable effect on improving materials management and the manufacturing process at contract manufacturers, suppliers and OEMs. In times of economic turmoil, optimisations like these are often crucial to a company's survival. At the same time, they create a new way of collaborating within the organisation and interacting with the customer: helping employees shift from being mere operators to contributing constructive strategies to further the company's long-term development.

[www.mig-perzeptron.de](http://www.mig-perzeptron.de)

MiG offers greater transparency in order processing and materials management

