



How Metso implemented Service Parts Management (SPM) in the Cloud to unearth value from its global supply chain.

Metso

Metso tackled global supply chain inefficiencies by moving from a location-based, on-shelf availability model, to an organization-wide parts planning system by adopting PTC's SPM with Multi Echelon Optimization, unlocking the value in their global supply chain.

Metso is a world leading industrial company serving the mining, aggregates, recycling, oil, gas, pulp, paper and process industries headquartered in Helsinki, Finland, with net sales of EUR 2.6 billion in 2016. Their customers are supported by a global network of over 80 service centers, services professionals, and over 11,000 employees in more than 50 countries.

Reaching the Summit

To meet internal service level targets, and build on its customer-centric approach, Metso wanted to unleash the full potential of its inventories and global supply chain. The 39 locations used a global inventory management system, but the inventory was managed independently and isolated from the inventory in the entire Metso supply chain. Sébastien Bergé, Metso Manager of Services, Global Process Development knew there were potential savings and efficiency by managing parts more holistically and connecting these locations. Bergé says,



We couldn't look at our supply chain as a network of independent locations anymore, it's not the most optimal for our customers. We have to have parts available at the correct place and at the correct time."

Many-Headed Beast

In addition to its wide range of different supply chains, Metso also had to manage intricate material flows which made it difficult to predict part lead time. Add to that the constraints of a legacy system and a focus on individual supply issues rather than broader strategic improvements, and Metso was leaving business on the table. "Our inefficiencies were reducing our ability to serve our customers in the best way," added Bergé. "We really needed a solution that could match our complicated network and grow with our business – PTC provided this," says Bergé. The key functionalities that Metso was looking for from the solution were exception-based decision making, a multi-echelon optimization module, and connected inventory replenishment. Steven Caldwell, PTC's Vice President of Product Management saw an ideal product-market fit, too:

Mining Heavyweight

Metso's services business, with a value of EUR 1.703 billion in 2016, accounts for 66% of net sales.

With increasing demand on its service and parts division, Metso's parts planning model, which centered on location-based inventory solutions at each of its 39 part centers, needed to evolve in order for the company to become more efficient. To achieve an organizational goal and meet its service level and profitability goals, Metso Manager of Services, Global Process Development, Sébastien Bergé, sought a process approach, not just more sophisticated software. How did 39 locations moving 32 product lines around the world come together as one?



Metso wanted to use end-customer demand exclusively for inventory planning so that their supply chain could become truly responsive to changing demands and market pressures. With SPM, Metso can avoid the bullwhip effect when planning inventory across locations.”

A Journey From Small Pilot To... Big Headache?

After going live with PTC’s SPM in June 2014, the pilot phase saw Metso pursuing a strategic change – going from location-based planning to planning the supply chain as whole. Initially, Metso’s cost of inventory went...up. It did so over the next four months. Jari Koivula, Director of Global Inventory Planning at Metso, was prepared for the uptick in inventory cost, but the process was still painful to look at. He explains: “To reach the service level targets that we set, we needed to rebalance and align our part mix in inventory. We expected the inventory levels to increase. Although it was a stressful first 4 months we trusted the tool and our process. We’re glad we stayed the course.”

Indeed, what Metso were seeing was SPM’s full power expanding across the organization, evaluating product mix and procuring the optimal inventory levels. Once the right parts were procured in the right locations, inventory stopped increasing and started to go down. Bergé was relieved:



Once we achieved the right mix, costs went down as we started to burn excess inventory in our supply chain.”

Metso had fantastic results to report from the Phase 1 implementation. However, there was still untapped potential.

Was It That Easy?

The design, build, and implementation of the project took place over nine months. During these nine months, Metso had a highly focused project team dedicated to the launch. “Each member played a crucial role in the success of the project,” Bergé explains. Much of the team’s focus was on change management and master data as the go-live would be simultaneous in all the 39 locations.



We worked closely with Metso so that our best team members could support their implementation project. It is important to us that go-lives run smoothly, on time and within scope. We are proud of the outcome for Metso's project."

Carlos Damasceno
DVP Global Services, PTC

To Metso, this was always a business process decision, not a software buy. Metso's global inventory planners, a small team of a dozen people, covers the full lifecycle range of planning, forecasting, and replenishment execution in 39 locations. They needed a comprehensive system.

Integrating SPM into their ERP system also improved efficiency. "PTC's SPM solution integrates with several systems, making implementation much easier," says Caldwell, about SPM's integration with Metso's global SAP. SAP provides master and transactional data that integrates into PTC's SPM, where the business model and business logic is built to drive inventory planning and replenishment. Then, SPM sends purchase requests right back to SAP. Those purchase requests in SAP are then turned to purchase or stock-transfer orders.

Then What? It Gets Better

With a successful pilot phase saving more than EUR 30 million, Metso had shown that the deployment of SPM was an initial success. But, to continue to optimize inventory levels and to better match Metso's supply chain strategy, adding Multi-Echelon Optimization capabilities became a priority. "Standard calculations in SPM already made a great impact, but the MEO module allows for results that are more logical and lead to even stronger stock levels," says PTC's Caldwell. For Bergé and Metso, MEO allowed them to look at the intricate Metso system as a whole.

With the MEO Phase 2 module addition in October 2015, Metso realized an additional EUR 11.6 million in inventory cost reductions. Even better, the inventory turn had increased by 18%.

SPM had also become an essential system at Metso, and they needed to make sure the solution was always up and running to meet customer demands. To reduce the burden on Metso IT, SPM was migrated to the Cloud leveraging PTC Cloud Services in August 2016.



Metso is a perfect example of a customer achieving greater efficiency by moving to cloud hosting. We can alleviate demand on Metso IT while guaranteeing uptime and availability of the solution so they can take care of their customers.”

Johannes Loeffler
PTC Cloud Services Business Lead EMEA

A Journey From Good to Great

Metso is committed to long-term improvement and has leveraged PTC solutions and services to transform their business. “PTC and Metso know that a parts planning strategy can’t be a software solution in search of a problem, but rather a process and a tool that is responding to a business challenge,” says Caldwell. Bergé adds,



We started with an organizational desire to be more efficient and to be able to better serve our customers, which requires more efficient and advanced processes, which are then supported by tools like SPM. But it requires a business-level buy-in and commitment to the journey of transformation.”

The Transformation Journey Continues

Looking toward a future with increasing connectivity on their industry, Metso is planning ahead strategically, with customer-centric service at the forefront. “We are constantly looking for ways to improve how we connect to our customers and their needs, we’re looking forward to continuing our service transformation,” says Bergé.

Implementing PTC's SPM solution not only allowed Metso's inventory availability and health to reach optimal levels, but it's allowed Metso to pivot quickly in a changing marketplace. From Bergé:



We now have a reactive and agile supply chain. If there are changes in the market, whether it's going up or down, our supply chain is able to react quickly to those changes so we can keep and gain business momentum and ensure world-class customer service."

To learn more, please visit:

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