

Web-based Replenishment Program Significantly Improves Customer Service at a Lower Cost

Arrow Electronics Automates Replenishment Program with One Network's Real Time Value Network

CUSTOMER BENEFITS

- Reduced inventory and stock-outs
- Fewer expedited orders
- Lower administrative costs by enabling handheld device for barcodes
- Collaboration with all suppliers in a single system, utilizing EDI, user interface, and other mechanisms

ARROW AND SUPPLIER BENEFITS

- Better customer service and satisfaction
- No manual errors
- Faster supply chain velocity with automated sales order management
- Enhanced agility with instant notification of inventory transactions and exceptions



ARROW ELECTRONICS, INC.

KEY STATISTICS

- Ticker Symbol: ARW (NYSE)
- 2010 Sales: \$18.7 billion
- Global Components: \$13.2 billion
- Global Enterprise Computing Solutions: \$5.6 billion
- Locations: more than 340 worldwide
- Fortune 500 Ranking: 140
- Suppliers Worldwide: over 1,200
- Customers Worldwide: 115,000

Since 1995 Arrow Electronics has utilized its Customer Automated Replenishment System (CARES) to monitor the inventory of certain components at customer sites. Historically, CARES ran on computers in each customer's manufacturing plant. The legacy CARES software did not provide all of the functions Arrow wanted. In addition, it no longer made sense to ask their customers to load the software on their own computers.¹

Arrow customers use CARES in connection with either a kanban or min/max replenishment policy. In a kanban system, an assembly worker scans a bar code on the empty bin, and pulls parts from a backup bin. This procedure prompts CARES to transmit an order for a new bin-load of parts to the backup position. Where min/max inventory policies are applied, when inventory falls below the min level, CARES triggers replenishment to the max level.

¹ Douglas, M. (2007, September). Arrow Hits Replenishment Target, Inbound Logistics

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ROBERT MARTIN, DIRECTOR OF SUPPLY CHAIN SOLUTIONS

CHALLENGE

Arrow had considered building a new system in-house, “We wanted to convert to a system customers could access over the Internet,” said Robert Martin, Arrow’s Director of Supply Chain Solutions. They ultimately decided that they could reach their goals faster and more economically if they found an external vendor.

Arrow envisioned a system that enables them to become demand driven – to discover what customers require almost before they know it themselves. According to Gartner Research, “traditional supply chain processes are shifting from a supply-based focus on transactions and inward-focused metrics to an external focus on the design and management of relationships.” They call this transition demand-driven value networks or DDVN.²

According to industry analyst Gartner Research, in order to become demand driven Arrow needed to “create a value network that would be holistically designed to maximize value across a set of processes and technologies that sense and orchestrate demand based on near real-time, zero-latency demand signal across multiple networks of employees, suppliers, and customers.”³

For companies like Arrow to succeed they must reinvent themselves by replacing forecast-driven planning with *customer-driven demand*. By becoming demand driven Arrow needed to focus on the customer, not the forecast, around which all operations, inventories, and capacities – internal and external – must be aligned. According to Gartner “with the price fluctuation of materials, the increased complexity of supply networks, and the compression of product life cycles, buying groups need frequent and more accurate demand information to tune supply commitments dynamically. It’s not the forecast per se, but the ability to sense and translate demand across the organization to make smarter tradeoffs.”⁴

SOLUTION

Arrow selected One Network Enterprise’s Real Time Value Network from an initial list of 15 contenders through an extensive procurement process. The solution’s cost and quality, along with One Network’s personnel were the deciding factors for Arrow. The Real Time Value Network stood out because its solution offered functions that could fuel future growth, whereas many of the other systems they considered were more narrowly focused.

One Network also was chosen because of their focus on building networks to manage replenishment and other supply chain functions. They had created several electronic communities that successfully automated transactions and allowed collaboration among trading partners.

² Griswald, Mike. Suleski, Janet. “Key Issues for Retail Supply Chain Leaders, 2011: Aligning Demand and Execution”. Gartner. February 25, 2011

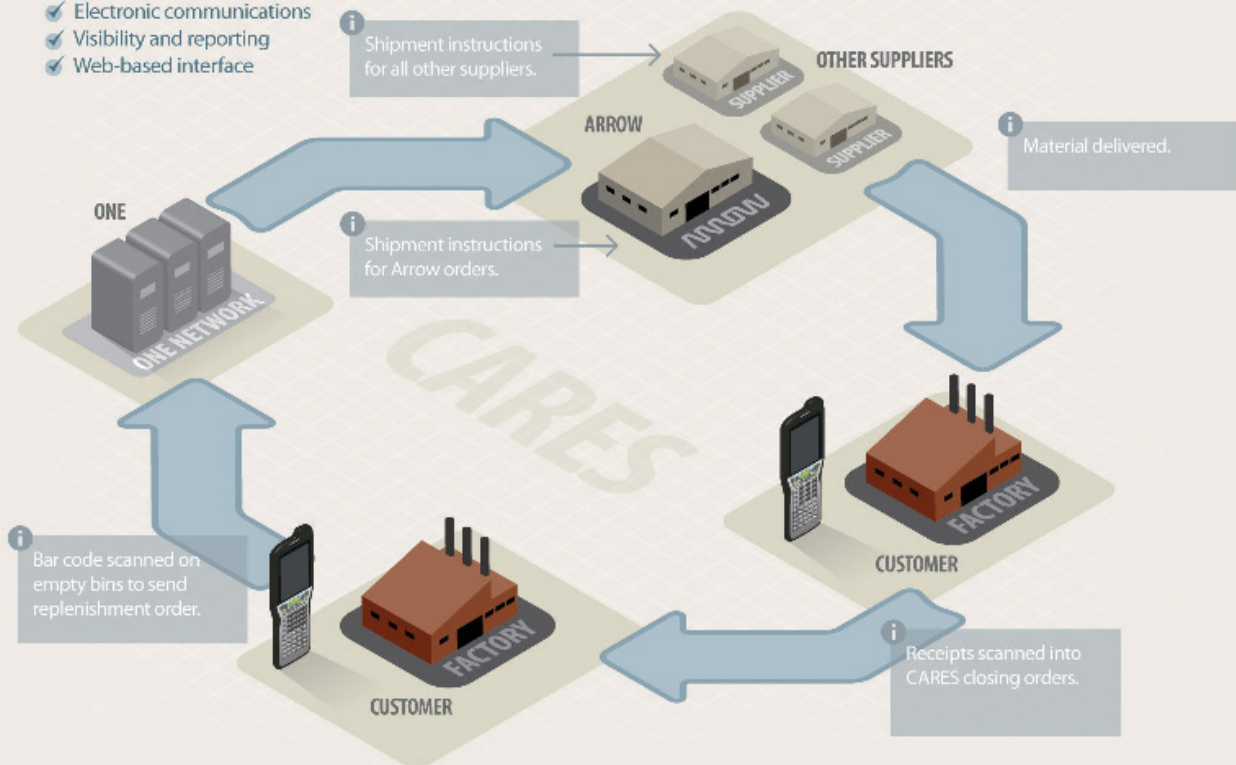
³ Ibid.

⁴ Ibid.

ARROW CARES PROCESS FLOW

What Does CARES Do?

- ✓ Kanban and min/max engine
- ✓ Electronic communications
- ✓ Visibility and reporting
- ✓ Web-based interface



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Arrow CARES is well suited to global manufacturing environments because it supports multiple currencies and languages.

RESULTS

Lower Total Cost of Ownership

The Real Time Value Network went live in three months, unlike traditional expensive and seemingly never-ending implementations. Migrating customers from the old platform to the new platform is easy according to Martin “because the system is Web-based, almost all of the implementation is done remotely.”

Higher Operating Efficiency

Besides eliminating the need to install and maintain software locally, connecting to the Real Time Value Network has provided Arrow with a number of other advantages. “First, the system gives all supply chain partners access to critical information, such as inventory levels and actual demand, at any time via the Internet,” said Martin. In addition, the system supports new functionality such as the ability to accommodate multiple manufacturing locations and multiple manufacturing cells within one location. Arrow CARES is well suited to global manufacturing environments because it supports multiple currencies and languages.

“Orders are automatically fed into our system upon receipt,” said Martin. “We don’t have to ask someone to create a sales order manually. The system has increased efficiency for us, as well as for our customers.”

Multi-Tier Visibility

Going forward, Arrow plans to use One Network to gain further visibility into the supply chain. “We want to anticipate problems proactively, rather than waiting until a customer needs a part and we don’t have it,” said Martin. “More immediately, we’re thinking about how we can apply the software specifically to our most sophisticated

customers’ complex supply chain issues,” said Martin. One goal in particular might be a more complex view of parts consumption, both by Arrow’s customers and, in turn, by their customers to enable multi-tier visibility.

Arrow would like to see when customers sell end products that contain Arrow’s components; then gain visibility into how those components move through manufacturing processes, as well as through their logistics channels. They also want to use the system to get inventory information.

According to Martin, “this visibility would allow Arrow to do a better job managing our customers’ inventory pipeline, to make sure we meet their demands, and that they won’t run out of parts. Then conceivably, we could include our suppliers, so they could get visibility to certain customers.”

Network Effect

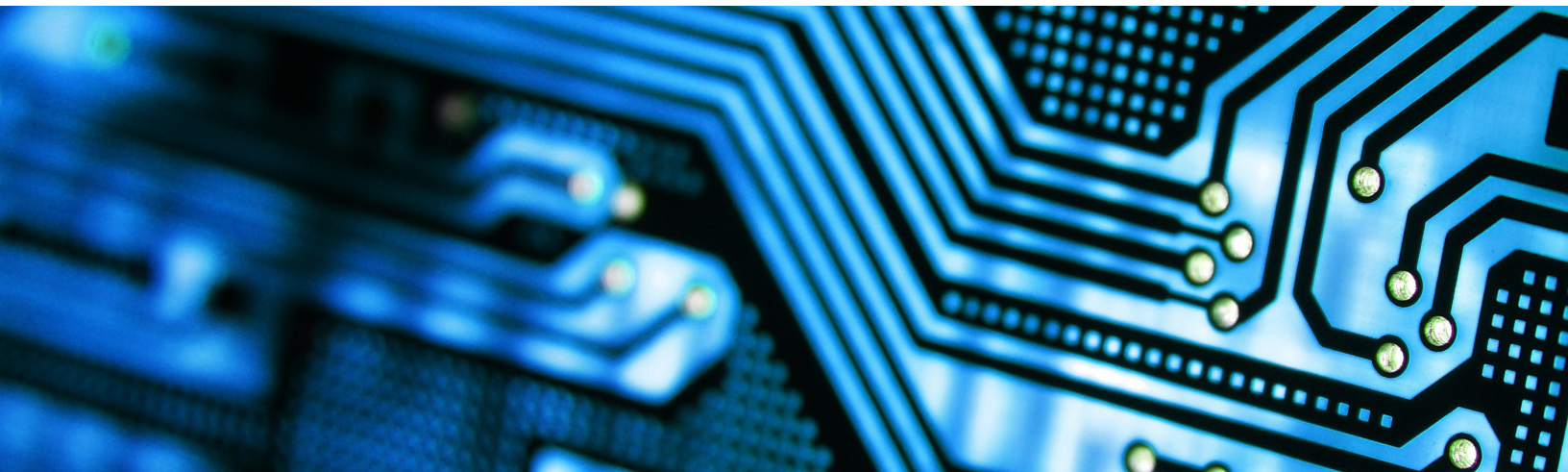
Arrow’s network now accommodates hundreds of companies – including Arrow – and about 60 original equipment manufacturers and suppliers that serve those OEMs. Arrow has always allowed its customers to use CARES with other suppliers, including competing electronics distributors, as well as vendors in other markets. According to Martin, “customers can use the system for their nuts and bolts supplier or their plastic supplier.” As more OEMs bring in more suppliers, participation on the Real Time Value Network has snowballed: the network effect. The more suppliers on the Real Time Value Network, the more value it has to the OEMs since all their suppliers are already on the network.

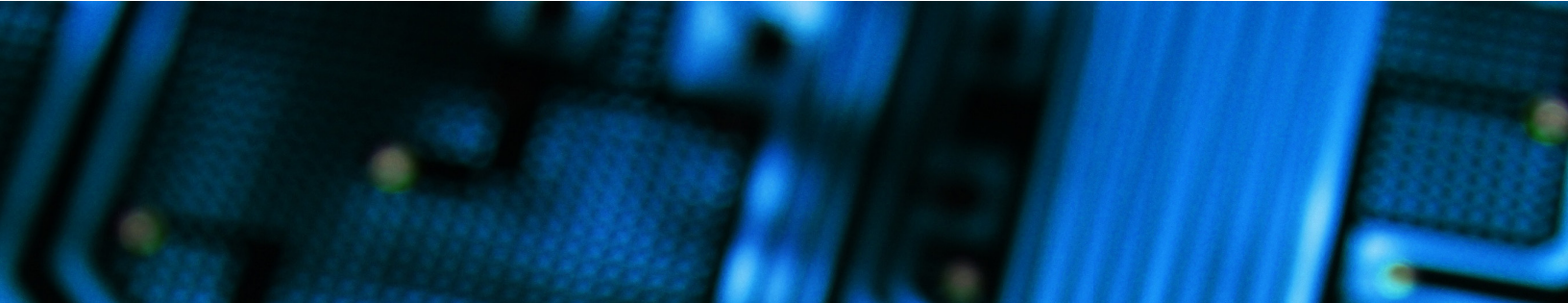
ABOUT ONE NETWORK

One Network Enterprises Inc., a high growth technology company, provides the world's first enterprise networking platform that exploits the latest principles—mobile apps, social networking, cloud-based computing—that are revolutionizing consumer technology. Known as the Real Time Value Network, this unique and revolutionary platform is used today primarily to drive dramatic improvements in demand, supply and logistics management effectiveness and efficiency. All of the stakeholders in any trading partner community have access via this platform to timely and accurate information, and a “single version of the truth,” regarding changes in demand and supply conditions. This enables trading partners to plan, execute, monitor, synchronize and optimize in real time all of the business processes and events that take place throughout their extended supply chains. The Real Time Value Network currently serves a pre-existing community of more than 30,000 trading partners.

ABOUT ARROW ELECTRONICS

Arrow Electronics (www.arrow.com) is a global provider of products, services and solutions to industrial and commercial users of electronic components and enterprise computing solutions. Arrow serves as a supply channel partner for over 1,200 suppliers and 115,000 original equipment manufacturers, contract manufacturers and commercial customers through a global network of more than 340 locations in 52 countries.





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