

CUSTOMER CASE STUDY

The MSC Electronic Initiative: Integrating the Supplier Network

COMPANY PROFILE

- Disparate sales network and multi-channel connections
- 3,000 suppliers fulfill purchase orders for over 600,000 industrial products
- Stocking system maintains approximately 99% in-stock availability



Founded in 1941, MSC Industrial Direct (MSC) is one of the premier distributors of Metalworking and Maintenance, Repair and Operations (MRO) supplies to industrial customers throughout the United States. It provides a same day shipping guarantee and its stocking system maintains approximately 99% in-stock

availability. MSC reaches its customers through a combination of approximately 29 million direct-mail catalogs and CD-ROMs, 95 branch sales offices, 949 sales people, the Internet and associations with some of the world's most prominent B2B e-commerce portals.

Approximately 3,000 suppliers fulfill purchase orders for over 600,000 industrial products that MSC provides to their customers via the MSC Big Book and online at www.mscdirect.com.

CHALLENGE

- How to connect and integrate varying systems of new and existing suppliers
- Management tools to maintain operational visibility and control
- Converting purchase order process to electronic format and integrating existing partners

Integrating the Suppliers Network

Given the size of the MSC sales network, volume of orders and the multiple channels used by customers to connect with MSC and place orders, the company faced a challenge in converting its supplier network to an electronic format.

The primary challenge was one of connectivity—how to connect and integrate the varying systems of new suppliers and the existing legacy technology in its current vendor supply chain network. These systems ranged from the electronic EDI and legacy order management systems of large suppliers and manufacturers to the hand processing of orders via fax and phone call with smaller vendors. To automate the purchase order process MSC needed to find an efficient way to electronically connect and convert all its non-EDI suppliers to the operations of its order management system.

Beyond the challenge of connectivity were the challenges of operational visibility and control. Customer service associates needed access to real-time order status to answer customer inquires. Supply Chain Management needed the means to track vendor performance and compliance to MSC fulfillment standards. Accounting personnel

“Our same day shipping guarantee and cutting edge stocking system is supported by MSC suppliers who are electronically compliant with the MSC distribution network. CommerceHub provides a one connection option to suppliers, large or small.”

Charles Bonomo, CIO at MSC Industrial Direct



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required supplier invoices to be available in an electronic format to insure prompt processing and payment. IT wanted to monitor information flow between MSC and its trading partners to identify and react to potential issues. MSC operations required management tools to extend visibility and event management to a variety of business users.

To do this MSC needed to convert their purchase order process to an electronic format and integrate MSC's systems with existing partners. The goal was to convert all the existing paper forms for information, PO, acknowledgments, ship confirmations, and invoices to digital formats. It seemed only the large suppliers who had made significant investments in EDI programs were able to provide electronic order information to MSC. The challenge was how to connect and convert all its non-EDI suppliers with a common technology.

SOLUTION

- ONE Connection pre-built connectivity infrastructure
- Highly structured rules-based process
- Complete order life-cycle visibility

Seamless Integration With CommerceHub

The MSC Supplier Electronic Initiative was developed to actively transition existing suppliers to a new electronic format and required all new suppliers to process purchase orders electronically. To do this MSC needed a connectivity platform that did not require re-engineering of the existing networks of its fulfillment partners. MSC found its solution with the CommerceHub ONE Connection platform. It provided MSC the supply-chain integration and fulfillment platform it required to convert its supply chain operations to an electronic format.

The ONE Connection platform's pre-built connectivity infrastructure eliminated the costly development time and resources required to build complex external and internal business connections. It enabled MSC to electronically integrate its diverse group of suppliers regardless of individual technical capabilities. The ONE Connection platform provided complete support for industry standard communications and file format options such as VPN, VAN, FTP, AS2, HTTPS, EDI, XML, flat files, spreadsheets and more.

The CommerceHub solution provided a highly structured, rules-based process for suppliers to receive purchase orders from MSC and for them to return order acknowledgements, shipment notices and invoices. This process verifies the accuracy of data transmitted through the system in both directions, eliminating complications downstream. The ONE Connection platform enabled MSC staff to view order cycle history from initial purchase, through their supplier network, the carrier and delivery process, and directly to customers. It provided a comprehensive tool-set for MSC to manage order fulfillment, supply chain visibility, trading partner performance and exception management.

“We add new suppliers and products continually. Therefore, the reliability of CommerceHub to quickly integrate and on-board suppliers is critical to that effort.”

Greg Polli, Vice President of Product Management at MSC Industrial Direct



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RESULTS

Increased Efficiencies

For MSC the One-Connection to Commerce Hub, independent of its suppliers, reduced technical complexity and vendor on-boarding time. MSC suppliers were provided two methods to connect: One Connection integration with their IT network, or a web-based browser interface. Suppliers found the web-based browser interface a quick connection to process MSC purchase orders electronically.

CommerceHub directly contacted and managed supplier integration during the process, enabling the MSC Electronic Initiative to exceed compliance targets by enrolling and integrating MSC suppliers at a rate of better than one vendor per day during the implementation period.

The CommerceHub ONE Connection solution provided order tracking for MSC's call centers and inside sales teams. The breadth of the CommerceHub toolset and flexibility of interface enabled MSC to increase visibility on Direct Ship order fulfillment from receipt of purchase order by the vendor all the way to order arrival at the client location, increasing customer satisfaction and reducing the volume of outbound follow-up calls.

System analysts defined supply chain business rules within the CommerceHub solution and generated custom reports to ensure performance metrics are met. The enforcement of MSC business rules provides automated alerts to both MSC and its supplier whenever the supplier is out of compliance, eliminating fulfillment errors and contributing to a positive customer experience.

The flexibility of the CommerceHub ONE Connection platform enabled MSC visibility and control for three fulfillment models: direct ship to customers, direct ship to its 95 branch offices, and replenishment orders for the four major MSC customer fulfillment centers.

CommerceHub has become a trusted partner in enabling MSC to integrate its extensive supply chain network and manage its stocking and eCommerce fulfillment operations.



“We’ve increased our efficiencies in a number of areas; including the percentage of PO’s placed and confirmed electronically, the volume of invoices processed electronically and the volume of shipment notifications received without manual intervention. This further enhances sales force and customer support efficiency and most importantly supports our high level of service to our customers.”

Tom Parnell, MSC Senior Manager of Product Information

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SUPPLIER'S PERSPECTIVE

Visibility Into the Purchase Order Fulfillment Process

When The duMont Company was introduced to CommerceHub through the MSC Supplier Electronic Initiative president Bill Dufraine was a bit skeptical.

Prior to the use of CommerceHub, The duMont Company received orders from MSC by fax. Many of these faxed orders would result in numerous phone calls from MSC associates asking if the order was received, shipped, and invoiced.

"We used to receive 4-5 phone calls a day from MSC regarding orders but since we have been using CommerceHub we have seen a significant reduction in phone calls", said Bill Dufraine.

CommerceHub enabled The duMont Company to provide order information back to MSC at a fraction of the cost of an in-house EDI program. This enabled The duMont Company to level the playing field as they competed against larger suppliers by making ordering with duMont more attractive to MSC associates who no longer have to follow up with phone calls when they place the order.

The CommerceHub solution is like a little mini warehouse system for MSC orders. All the orders are found in one place and they follow a logical fulfillment path. With just a few simple clicks, orders are acknowledged, shipped, and invoiced. Most of the information is already filled in on the web page requiring little input.

"All we needed was Internet access and a standard printer, with the web interface we make real-time updates and provide complete visibility of the purchase order fulfillment process."

Bill Dufraine, President of The duMont Company