Embrace Streamlines Process and Distribution,

Ensuring Profitability and Success for ESP Africa.

The Company

ESP Africa (Equipment Spare Parts Africa) was established in 1980 and specialises in the supply of replacement parts for Caterpillar Machinery. In addition, ESP carries a broad range of replacement parts for heavy duty diesel engines such as Caterpillar, Komatsu, Cummins and Detroit Diesel. ESP is also an authorised distributor of Berco undercarriage parts and a multi-brand distributor of ground engaging tools (GET) and recently launched its own brand of bucket tip castings and adapters, consisting of innovative designs to suit all applications. The company serves the aftermarket parts industry through an extensive network of 9 branches and 3 distributors throughout South Africa, Botswana, Namibia and Swaziland. ESP also offers a complete undercarriage reconditioning service from its 3 central workshops based in Johannesburg, Cape Town and Durban.

The Challenge

Until the late1990s, ESP had been using a computer system through a Bureau, with limited functionality. *"We reviewed our business needs, including, sales, distribution, planning, purchasing, service and accounting and realised that we needed more comprehensive and flexible software"*, says Mark Behrens, ICT Manager. Consultants were involved in evaluating several different ERP packages. Embrace emerged on top and was chosen for several reasons, including rich functionality and suitability to ESP's business processes and local support and customisation facilities.

The Solution

Embrace in its standard form, meets all South African specific requirements and compliances and is a comprehensive, solid, end-to-end solution, giving full visibility throughout the business; Embrace is extremely flexible with extensive functionality and reporting tools and is easy to customise to meet ESP's unique requirements*; "And to top it off, all of this was wrapped with affordable, reliable, local support!"*

"We are driven by Sales and Inventory and Embrace is very strong in this area", continues Behrens. **Critical functionality in the Inventory Module for ESP includes Alternate Part Numbers, Substitutes, Supersessions and an extensive E-Catalogue.**

ESP has a library of approximately 65,000 part numbers, and more than 80,000 alternate numbers. Alternate numbers result from multiple suppliers having their own part numbers for the same item. When performing an enquiry or entering an order for a part, a list of the alternate references is displayed, from which a user can choose the correct part. This combines with a sophisticated customised substitutes system, where users type in an item, and Embrace lists the substitutes (equivalent parts) that can be used, displaying them all in price ascending order with details distinguishing each part. Branch and Group stock are also displayed. *"The substitute system applies to every program where a part number is input"* says Mark Behrens. If a part is obsolete or discontinued, it will display with a red background indicating that those items in stock can be sold but they will not be replenished. Other colour backgrounds are also used to assist the sales people with market and product related information.

The Benefits

E-cat is the ESP Catalogue System, set up in Embrace, which has been structured similar to a multi-level Bill of Material (BOM). Different BOMS are entered so that users can locate a product using different criteria. For example, using a car part analogy, the user enters the Make (Toyota), then Model (Corolla), then Year (2000), then Item (fuel pump). Alternatively, the user could look at fuel pumps, then Toyota, then 2000.

Superior Customer Service

"E-cat is an essential sales tool, used extensively by the sales force, enabling them to advise and assist customers with their purchases. It is fast, easy to use and fully integrates with the sales order entry system." Through an interactive phone call, sales staff can enter a customer sales order, interrogate the E-cat system from the item entry line, search and drill to the E-cat parent, and then select items from the E-cat system to be added to the order. **"This makes adding components for service, repair or overhaul of equipment straightforward and efficient, providing a superior customer service."**

Increased Product Profitability

"ESP's products are very price sensitive and Embrace allows us to manipulate selling price and margins directly on the product master. We rarely do across-the-board, price increases and most items are re-priced individually when shipments are in transit, based on information input into Embrace. We have developed our pricing model based on "OHIT" (On hand plus In Transit) costs as the financial liability is raised as the part is shipped." More than 90% of ESP's stock is imported, so exchange rate is monitored frequently and Embrace updated accordingly. *"Margins in the aftermarket parts industry are very tight,"* Behrens adds. *"So the ability to accurately and quickly analyse costs and adjust prices in the marketplace is essential!"*

Accurately Track and Manage Landed Costs

Purchasing Manager Keith Currin adds that *"Embrace has strong landed costing capabilities to help us track the progress of imports and to capture all costs related to each imported item".* Detailed costing information, which includes all tariffs and surcharges, is derived through tools such as landed cost tracking, which enables ESP to accurately capture all shipping and freight costs.

Boost Sales by Balancing Supply and Demand

Requests for parts not on the system are automatically recorded and subsequently analysed. Dependent on the frequency and quantity of the requests, parts are then added to inventory. These tools have been further enhanced to record the quantity requested, e.g. if a customer wants 16 but there are only 6 in stock, he may buy all 16 elsewhere. Embrace records the user, the time and date, to avoid misuse or duplication. The information is analysed regularly and stock quantities are adjusted accordingly. Having the right inventory in the branch is critical.

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ICT Manager

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Purchasing Manager

Reduce Costs and Time with Automated 24/7 Order Placement and Acknowledgement

Certain customers are able to order on-line, using Embrace e-commerce. The sales order screen has been simplified for quick and easy quote entry and management, and preloads all the customer's details as he logs in.

Colour indicators display stock status for order lines, i.e. green, blue, yellow, and red so customers can easily see the status as each line is entered. Quotes can be stored and amended and once confirmed, Embrace sends an e-mail response to the customer, thanking him and confirming his order number as well as to the ESP sales staff who then Pick, Pack and Ship the order. *"This has reduced the cost and time of order processing for large customers,"* says Mark Behrens.

Managing Movement of Goods across Multiple Locations

Besides using the Embrace "mail facility" to notify sales and customers on order status, ESP also uses it to notify branches about IBT's (Inter Branch Transfers). It is critical that branch staff are advised immediately if a transfer request has been cancelled or amended. *"There are a huge amount of transfers between our 9 branches with daily deliveries to each branch from Isando. IBT's are absorbed as part of our overhead and are an expensive cost of business",* says Mark Behrens.

Boost Sales and Profitability by Ensuring the Right Stock at the Right Branch at the Right Time

ESP Isando is the largest branch and is where all surplus stock is held. All other branches keep approximately six weeks stock. *"With the high number of line items sold from each branch, it is critical to have an efficient distribution system to ensure stock availability in each branch,"* says Mark Behrens. To affect this ESP has implemented a customised version of the Embrace "Automated branch replenishment" tools, which looks at usage per item, per branch and replenishes branch stock accordingly. *"The automated branch replenishment system has represented substantial savings for ESP, especially on transport and on time. We have reduced our overall costs on IBTs' and increased sales by ensuring that we have the right stock at the right Branch at the right time!"* says Behrens.

"EMBRACE has been a major contributor to the profitability and growth of our company. Our return on investment has been substantial with Embrace having more than paid for itself", Chief Executive Officer Andrew Grobler stated.

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**Mark Behrens
ICT Manager**

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ICT Manager**

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