8 Key Strategies that Reduce the Cost of Poor Quality

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Agenda

• About Epicor
• Industry Study of Quality Concerns and Strategies
• 8 Key Strategies that Reduce the Cost of Poor Quality
• Technology Trends to Support Strategies
• Questions
### Epicor at a Glance

<table>
<thead>
<tr>
<th>Founded</th>
<th>1984</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public: NASDAQ</td>
<td>1992</td>
</tr>
<tr>
<td>Employees</td>
<td>~2,700</td>
</tr>
<tr>
<td>Partners</td>
<td>400</td>
</tr>
<tr>
<td>Revenues</td>
<td>$410.1M*</td>
</tr>
<tr>
<td>Customers</td>
<td>20,000+</td>
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* Based on Full Year 2009 Revenue

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### Global Reach

- **Over 1000 Consultants**
- **Over 450 Support Reps**
- **Over 500 Developers**

- **Worldwide Development Centers**
  - Irvine, CA
  - San Diego, CA
  - Columbus, OH
  - Moscow, RU
- **Worldwide Headquarters**
  - Irvine, CA

- **Main Regional Office**

- **Doing Business in more than 150+ Countries and 30+ Languages**
Industry Focus

Industry Study of Quality Concerns and Strategies

- Capital Equipment
- Industrial Machining
- Aerospace & Defense
- Fabricated Metals
- Instruments & Controls
- Electronics

- CPG
- 3PL/Logistics Services
- Pharmaceutical
- Automotive
- Value-added Distributors

- Specialty Retailing
- General Merchandising
- Hospitality (Food)
- Hospitality (Property)

- Professional Services
- Financial Services
- Non-Profit
- Sports & Entertainment
Quality Cost and Customer Satisfaction

Figure 1: Cost and Customer Satisfaction

- Ensure consumer satisfaction: 60%
- Reduce the ‘cost of quality’: 57%
- Adhere with government regulatory requirements: 23%
- Improve New Product Introduction performance: 20%
- Manage risk due to adverse events: 18%

Percentage of Respondents, n=103
Source: Aberdeen Group, July 2009

Strategic Actions

Figure 2: Strategic Actions

- Improve visibility and control into quality processes: 56%
- Improve communication and collaboration across the organization: 40%
- “Build in” product and process traceability: 30%
- Minimize scrap, rework, returns and service costs: 27%
- Improve the quality performance of critical suppliers: 20%

Percentage of Respondents, n=103
Source: Aberdeen Group, July 2009
8 Key Strategies that Reduce the Cost of Poor Quality

- Improved visibility of quality by product
- Improved visibility of quality by process
- Shorter audits and more successful

- Measurement of number of non conformances
- Reason analysis
- Reduce repeated corrective actions

- Less equipment failures
- Reduced quality issues due to faulty equipment

- Accuracy in engineering changes
- Reduced risk in making the wrong product
- Workflow that supports USE AS IS
8 Key Strategies that Reduce the Cost of Poor Quality (Cont.)

- Standardized escalation workflow improves customer satisfaction
- Quality events get to engineering/production faster

- Ensures employees have the right skill for the process
- Speeds audits and improves success
- Reduces employee-related non-conformances

- Improves communication with suppliers
- Reduces quality “gotchas”

- Always ship with the right documentation.
- Easier audits
- Speed information to the plant floor, improving accuracy

Technology Trends to Support Strategies
End-to-End ERP with Quality in Mind

Customer Returns and Helpdesk Workflow

- Track customer cases
  - issue / resolution
- Procedural workflow
  - Escalation
  - Return request
- Link to returns
- Returns management integrated with receiving, finance
Non Conformances Communicated from the Shop Floor.

- Operators communicate problems as they happen
- Reason codes available for analysis
- Inspector workbench available to inspect non conformance and accept / reject

Inspection Plans and Test Results

- Inspection/Test Plans
  - Incoming material
  - In process
  - First article
- Calibration Plans
- Available from shop floor
- Results available for analysis
Maintenance Management

• Maintenance Plans
  – Periodic
  – Metered

• Optimize tradesmen time

• Maintenance queue

• Cost tracked

• In the schedule

Engineering Change Management

• Check in/ out

• Approved by and effective date

• Engineering change order number
Document Management

- Attachment workflow
  - Master Method to Job
- Location
  - File on server
  - Sharepoint
  - Link to Epicor PLM
- Document requirements flagged at shipping

Product Lifecycle Management
One version of the truth.

- Engineering collaboration
- One version of the truth
- Engineering Change Management
- Secure Document Control
Supplier Management

- Track supplier quality
- Skip lot inspection logic
- Approved suppliers
- Return to vendor capabilities
- Integrated with Finance

Employee Training

- Manage employee information
- Skills and training
- Capability based scheduling ensures resource performing work is qualified
Portals

• Collaborative tools
  – Supplier expectations set
  – Customer expectations understood

• Reduces back and forth and improves quality
• Offers online interaction

Business Process Management

• Event
  – Shop floor identifies non conformance

• Condition
  – If job is for Addison do something

• Action
  – Email salesperson for Addison
Scorecards and Dashboards

• Measurements and trends
  – NCMs and Corrective actions
  – Cost of quality
  – Reasons by product, person, machine, etc.
  – Test results data
  – Rework hrs and cost
  – Supplier quality

Questions

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