

# GLOBAL FOOTPRINT SUPPORTS GROWTH PATH

Reorganization of BALLUFF GmbH's production and logistics network

# T

There is fierce competition in the market for sensor technology. And there is a wide variety of standard products that compete with each other – the ability to supply, quality and price is what decides success. A pronounced ability to provide solutions in the form of application-specific products is also required. As a specialist in industrial automation, BALLUFF provides a comprehensive portfolio of sensors and systems.

BALLUFF has set itself a demanding strategic growth target with a double-digit growth rate, with a significant expansion in the proportion of system business. The global supply chain must also make its contribution if this ambitious target is to be achieved.

"Irrespective of our growth targets, we need a modern, customized strategic approach for our entire production and logistics network. Continuing with the structures we have inherited no longer holds the prospect of success," says Vice President Michael Schneider, Divisional Director Supply Chain Management, who is also the internal head of the project 'Global Production and Logistics Footprint'.

## Adjusting the existing global network for growth

BALLUFF's production and logistics network has grown steadily over recent decades to include nine production sites and over 50 sales locations. However, roles, responsibilities and processes only partially match the global requirements of today's market. For example, around 75 percent of global finished products are stocked in the central warehouse in Neuhausen. The majority of sales companies

also have additional regional warehouses, which means a high level of capital lockup. This historically

developed structure requires a high degree of management effort.

That is why the global manufacturing and distribution logistics are being restructured. The aim of the 'Global Production and Logistics Footprint' project is to develop a long-term and flexible concept for the future that enables growth and that can also manufacture and distribute additional products. The global corporate and growth strategy and the product portfolio with its large number of variants map out the core general requirements.

**"Continuing with the inherited structures of the production and logistics network held no prospect of success."**



Michael Schneider,  
Vice President and Divisional  
Director Supply Chain  
Management, BALLUFF GmbH

## Product segmentation was part of the solution

The difficulty with the production network so far was that – 'in a nutshell' – everybody produced everything, tourism of parts was the order of the day, plant capacity was underutilized, redundant technology existed at various locations and it was not clearly identifiable which product was in stock and which product was made to order.

The aims of the project launched in April 2013 are to use synergies better in order to achieve better plant capacity utilization, to reduce duplicate work and to lower overall costs. As a result, adherence to delivery dates should improve, delivery periods should fall below those of the competition and new products should reach the market faster.

Management consultants ROI were brought into play and they contributed their expertise in the areas of global manufacturing footprint and supply chain management as well as their profound knowledge in the analysis and design of production and logistics processes. Global production and logistics footprint scenarios were developed and various roles for plants and logistics locations weighed up against each other. Evaluation was performed in particular taking into account the significance of local sales markets, the level of production costs and a comparison of delivery periods and logistics costs.

"We had to specify qualitative and quantitative criteria for the individual scenarios. Also with regard to the required investment, existing potential, overall profitability and risks," Michael Schneider recalls. The economic middle path between all factors today determines the appearance of the new production and logistics network.

An important breakthrough was differentiating between make-to stock (MtS) and make-to-order (MtO) products

in in-house production. There is good demand for MtS products, which are therefore easy to forecast and should be available from stock. On the other hand, there is less demand for MtO products in terms of quantity, they must be configured to match customer requirements and are only produced to order.

The future production and logistics footprint therefore requires MtS plants that can manufacture MtS products efficiently and economically. These products should then be available in local distribution

centers. Continuous global replenishment is then performed via global distribution centers. In contrast, MtO will in future manufacture MtO products in four regions in a flexible manner and to order by the required delivery deadline. These plants will be equipped with a highly qualified start-up production facility near to the development centers for new products in order to ensure fast rollout.

**Successes and lessons learned**

The new footprint and clear allocation of roles will lower complexity and

"A major challenge is to comprehensively involve all employees in the change process."

**BALLUFF GmbH**

BALLUFF GmbH supplies a comprehensive portfolio of sensors as well as system- and customer-specific solutions for industrial automation. With 56 branch offices and agencies as well as nine production sites around the world, BALLUFF guarantees its customers the fast availability of its products and a high level of consulting and service quality in its local markets. Around 2,600 employees generated sales of about EUR 335 million in 2013. [www.balluff.com](http://www.balluff.com)

guarantee the optimum use of synergies as well as the efficient utilization of plant capacities. A consequence of this will be the improved adherence to delivery deadlines, allowing 'best-in-class' delivery times to be achieved. "Meeting market and customer requirements are the key to success – since it is only in this way that we can achieve our ambitious growth targets," Michael Schneider explains.

Overall, the project has turned out to be very complicated since BALLUFF's product portfolio is highly complex and the various locations around the world are very different. "In an organization like ours that has grown organically over the years a major challenge is to involve all employees comprehensively in the change process," explains Michael Schneider. We must perform a balancing act between the high speed of change of the project and the necessity to communicate adequately and to involve our employees and their expertise in the change process."

