



**Think Big
Start Small
Scale Fast**



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- Lars Aaen,
Project Manager,
Oticon A/S

Intelligent growth

Oticon A/S, the worlds leading manufacturer of advanced hearing aids, is experiencing an excellent 12-15% growth yearly. "Our rapid growth challenges us to do things more intelligently as opposed to simply hiring more people. We have to continuously improve efficiency in order to keep our competitive edge" says Lars Aaen, Project Manager at Oticon A/S.

With approximately 2000 employees Oticon is the largest entity in William Demant Holding A/S. They produce hearing aids in Denmark, Scotland, Canada, Poland and Australia and sell products directly to clinics and retailers through a number of subsidiary companies. Through approximately 250 suppliers Oticon purchases 18,000 unique items with a purchase volume of roughly 600 million DKK per year (approximately 80 million Euros).

Oticon is well known for optimization, efficiency and new methods of collaboration through technology. With Videlity's VMI as a contributing factor, Oticon lowered total logistics costs by 26% and was recognized with the 2003 Danish Logistics Prize.

Oticon taps the power of VMI

From 1998 through 2002 Oticon used an internally developed VMI solution which saved money and resources and created a more partner-oriented collaboration. But eventually the solution's limitations prompted Oticon to search for a standard solution to maximize the power of VMI.

Their strategic goals were clear:

- Scale savings and supply security by including many more suppliers. Their original solution made heavy demands on supplier technical readiness and limited usability impacted its effectiveness.
- Secure a notably higher speed of inventory circulation (smaller inventory).
- Reduce manual effort required and use these resources on more value adding business-oriented tasks.

Oticon found exactly what they were looking for with Videlity's VMI. "We chose Videlity because they could reach out to all our suppliers, not just the advanced ones. Videlity's automatic monitoring and notification system is also a very powerful feature which enables us to work smarter



instead of working harder” says Lars Aaen.

Through a simple integration with the company's ERP system chosen suppliers have access to inventory figures, delivery schedules, min/max, and forecasts up till 6 months, all on chosen item numbers. Videlity controls the security of which customers have access to specific information.

Results prove the theory

Out of 250 active suppliers, the top 20 represent 80% of Oticon's purchasing volume. Their goal is to have all of these suppliers, along with some strategic suppliers, eventually connected to their VMI solution. They are well on their way with 16 suppliers currently connected. “The information level of the entire supply chain was raised allowing us to provide better service, faster and more flexible delivery, lower expenses and minimize inventory levels. Resources were freed from monotonous manual tasks which were used to further optimize the strategic business processes, resulting in raised competitiveness” says Lars Aaen.

Scaling solution beyond VMI

Along with rapid growth comes the challenge of working smarter rather than just working harder. VMI is an incredibly effective means of optimizing efficiency in the supply chain, but

Oticon's VMI results:

- Lower total logistics costs 26%.
- Increase supply security.
- Improve inventory turnover from 4 to 8.

During this period Oticon's revenue increased 12-15% yearly.

unfortunately it doesn't apply to every single item in inventory. To further optimize supply chain efficiency beyond VMI Oticon scaled their Videlity platform to include Purchase Order Collaboration (POC).

Increase efficiency with POC

“Purchase Order Collaboration maximizes our efficiency with some of the same benefits as VMI, but it applies to many of the lower value items which don't make sense to include in our VMI solution.” says Lars Aaen.

Using POC Oticon enters purchase orders into their ERP system as usual and Videlity automatically sends them to suppliers in whatever format required. Order confirmation or change notifications (order partially confirmed, order cancelled, etc) are received electronically through Videlity directly into Oticon's ERP system. And while all of this happens Videlity's automated monitoring system is logging events and ensuring pre-defined optimal procedures are followed. The automated monitoring system is one of the most important benefits Oticon gets from Videlity's POC. Lars Aaen continues: “Instead of people manually matching figures, quantity or delivery data, the system does it. Whenever there's a need for human interaction the system

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alerts people automatically. Taking this manual effort out of the process lets our purchasing employees spend their valuable time on more strategic and problem solving tasks." Oticon's suppliers see great potential in the system. The paradigm is business as usual, just with a new way of handling orders. Because the system is so intuitive and easy to use Oticon can educate their POC suppliers over the phone in just 15 minutes!

Oticon recommends Videlity

According to Lars Aaen Videlity is a great company to work with. "Videlity is a very service minded organization and they are keen to help with any problems we encounter along the way. We here at Oticon recommend the company, and have done so for a long time."

"We received the 2003 Danish Logistics Award in large part because we lowered our operating expenses 26%. Videlity's VMI solution contributed to these outstanding results. I recommend Videlity and have done so for many years." Lars Aaen, Project Manager, Oticon A/S

Benefits from Videlity Collaboration Suite		
Productivity gains	Financial impact	Strategic improvement
Elimination of manual labor and implementation of error-free processing	Reduced transaction cost from improved processes and lower reengineering from errors	Adoption of lean labor free supply chain processes
Reduction of stock levels and enhanced inventory management	Improved cash flow	Raised competitiveness because resources freed from manual tasks now focus on value adding tasks
Flexible and easy to use collaboration between internal and external stake holders	Reduced IT and project cost	Better service and more flexible delivery due to higher information level in supply chain.

Interested? Call +45 8232 3000 or write info@videlity.com.

More than 600 companies in over 23 countries benefit from Videlity's solution. Contact us to schedule a non-binding demonstration and find out what Videlity can do for your business.

