Q&A: How Software Equates To Bigger Profits

Joel Hans, Managing Editor, Manufacturing.net

Manufacturing.net ***[1]*** **recently sat down with spokespeople from Dell and pVelocity, two companies that have collaborated on a piece of software called Dell Product & Profit Analytics (DPPA). DPPA was designed to integrate into a manufacturer's existing enterprise software solutions in order to provide deep analysis of a wide variety of variables, such as input costs, labor rates by location or country, the cost of individual product lines, and much more. According to the companies, these analytics can help businesses make better, more profitable decisions. Mike Morrison, Executive Director of Manufacturing Sales with Dell, and Dale deFreitas, Chief Executive Officer at pVelocity, helped provide some insight into what DPPA is exactly, and what it can do for manufacturers of all sizes.**

Q: Can someone briefly explain what DPPA is, and what it's supposed to accomplish?

Mike Morrison: We were really focused on a product and a set of services that would allow our customers to really understand the profitability they were experiencing with their products at a very segmented level: by product, by customer, by location. It's the type of analytics and information that a lot of our customers have been lacking when making decisions about where to spend their money, what is profitable, what is not, what should they bid the next time around, what should their portfolio look like going forward.

Dale deFreitas: We fully believe there is a human element that is absolutely required to making the analysis that goes on in the manufacturing cycle. Some of that does take into account things like experimenting on what would happen with real, live data. What would happen if the cost of a component would rise 2 cents? Being able to experiment with those various models on a real-time basis, so you can have that human interaction, is what we think is paramount in the decision-making

process.

Q: How does this integrate with a company's existing enterprise software?

Morrison: We integrate it with their current ERP infrastructure, pull the information out of that system, and put it in an environment where they can run analytics against it. They can do what-if analysis. They can change values — for example, change labor costs, material costs, or material costs — and understand if they do those types of things, what is going to happen to their profitability by customer and by product.

deFreitas: [They've] got vast amounts of data, and the problem they have is they need a specific type of information. What they invariably end up doing is taking that information that's already resident and dumping it into various Excel spreadsheets and doing some analytics, but without the full picture. As you can imagine, the manufacturing environment is very complex when you start talking about thousands of materials, products, and customers.

We've created this purpose-built system that pre-establishes the linkages all the way down to the component or ingredient level, so that when users start to roll this information up, they can see what they're looking for to make that decision. There's a holistic picture provided back to the user, with their slant on it.

Q: This seems targeted at larger firms. What about the small ones, who might not be as software-driven yet?

Morrison: We are really targeting small-to-medium customers as well as large customers. We don't think the scale of the customer will impact whether they want to implement this or not. They are both looking to make as much money as they can out of their profit mix. [Smaller firms are] just as eager to get results, but I think the hesitance comes from the complexity of the implementations. They see the ERP horror stories, and things of that nature. When you look at this particular product mix, you look at how quickly we can compile it and give them some real results. Those are the types of the things that make this appealing to a small business because they don't have that significant human — as well as dollar — investment to get something up and running.

Q: Could DPPA be used to help a manufacturer with overseas assets decide whether or not they should re-shore some of their production?

Morrison: With DPPA, we can break down [a product's] bill of materials to a very detailed level, so a company can understand what's going into the total cost of that product. And if they want to make decisions on changing where they manufacture it, they can make adjustments to labor or transportation costs. They can do all that scenario planning and understand if there is a better place to produce that product. [DPPA] gives them those tools to make those kinds of decisions, rather than estimating it.

deFreitas: You need to be able to understand if you've got alternate suppliers who

can supply you at the cost that is going to make sense for you. More importantly, you've got to make choices. Because you're able to map all the components, all the way through the products that have been consumed, and all the customers that consume that product, you're able to make a decision upon which suppliers to prioritize.

Q: How much is too much analytics?

Morrison: When we look at the overall offering, there is an audience of people that feel like they can never get enough — the financial analysts or the production analysts — and we can provide them with that. Some of the summary level reporting — such as what profit margins you're making on that customer, what's your high-profit products — we get a really good dashboard for management decisions. It gives someone the sense [to say], "Looking at this, why is 80 percent of my volume producing 10 percent of my profit. I don't understand why that is the case. I want someone to look into the details and understand why we're not as profitable as we should be in that particular category."

Generally, when we go in we ask our customers what their top 10 most profitable products, and their bottom 10 most profitable products are. When we run our analytics, rarely do the lists match the reality.

Q: In simple terms, why do you think manufacturers need to look into software like DPPA?

Morrison: Do you know the profitability of your product line by customer, and are you confident that you wouldn't make any changes on what you have today? Is there more out there for you? I believe most people would say, "I think I know, but I think I would like to know for sure."

For more information on DPPA, and the collaboration between Dell and pVelocity, visit www.dell.com *[2]*.

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