



Re-engineering Herman Miller's Business Processes

Because of a lack of continuity in its manufacturing processes, Herman Miller's on-time deliveries to customers had eroded, dropping customer service levels. To tackle this challenge—and to get its costs in line with its revenue—Herman Miller embarked on a value chain management initiative using i2 solutions which has increased on-time shipping, tripled inventory turns, and gained market share.

Herman Miller provides its customers with complete office systems—from panel and office wall systems to desks, chairs, and paper clip holders. As a result, 80 percent of the company's business is project-based. Fulfilling these orders requires coordination of Herman Miller's diverse operating units.

Each of Herman Miller's 10 plants was operating according to its own individual schedule, which was significantly eroding on-time shipments to customers and, therefore, customer service levels. In addition, the company's costs were out of line with its revenue.

"We started looking at advanced planning solutions, trying to figure out how to create manufacturing schedules that we could hit reliably and satisfy our customers," said Mark Douglas, Herman Miller's Director of Enterprise Resource Planning and Materials.



Herman Miller

Challenges

- Bring costs in line with revenue
- Increase on-time shipments to customers by integrating operating schedules of all plants
- Elevate customer service levels

Solutions

- Create materials-feasible schedules
- Enable capacity-based sequencing
- Instantly acknowledge customer orders

Results

- Increased on-time shipping from 70% to 98%
- Decreased WIP by 50%
- Increased business by \$300 million with no additional capital investment

Company Description

Zeeland, Mich.-based **Herman Miller, Inc.**, is the second-largest office systems manufacturer in the United States. The company processes more than 3,000 office furniture and accessory orders each week. The \$1.9 billion company's presence extends to more than 40 countries, and is widely recognized for its leading-edge design.

“i2 solutions are helping Herman Miller gain market share through a variety of means, the primary one being reliability. Our industry has been plagued with very poor customer service for years. The i2 solutions have driven reliability into our plants and into our distribution processes so that when a customer orders something from us, they know they can get it when we tell them we’re going to ship it to them.”

*— Mark Douglas
Director of Enterprise Resource
Planning and Materials*




Why i2?

To tackle these business challenges, Herman Miller chose i2 Factory Planner—Discrete Edition™ and i2 Master Planner,™ part of the i2 Supply Chain Management™ (SCM) suite, because of the solutions’ decision-support architecture.

“We looked at all the usual competitors, and i2 architecture and speed and quality were just head and shoulders over everybody else,” Douglas said.

i2 solutions enable consumer goods companies to simultaneously optimize and monitor inventory; reduce costs and risks through integrated sourcing, negotiation, and procurement; and improve customer service levels and reduce fulfillment costs through multi-division and multi-channel order management.

Additionally, consumer goods companies use i2 solutions to minimize transportation costs and increase service levels through integrated transportation procurement, planning, execution, and monitoring.

“Probably the most incredible result was going from a 70 percent on-time shipment to a weekly committed date to a 98 percent on-time shipment to a daily committed date to a customer,” Douglas said. “In the process, we also eliminated about three weeks’ worth of finished goods, which in our environment is about \$75 million worth of product.”

i2’s Contribution

Using i2 Business Release Methodology (BRM)—which breaks large implementations into smaller, more manageable projects—Herman Miller rolled out Factory Planner across eight plants. The business releases focused on materials-feasible schedules, capacity-based manufacturing schedules, and sequencing.

Each day, Herman Miller receives orders from customers electronically. That information is fed into Master Planner, which creates acknowledgements of customer orders. Master Planner also creates capable-to-promise quotes on the entire order throughout the day. Each night, those orders are loaded into each facility’s Factory Planner, which schedules the factory production for the following day.

“The dynamic replanning and capacity management that Factory Planner provides allows us to maximize the throughput of the plant, minimize the set-ups, and eliminate a lot of the inefficiencies in the manufacturing process,” Douglas said. “It has enabled us to communicate in almost real time with our suppliers. Master Planner and Factory Planner together are a key element of pretty much everything we do in the manufacturing world at Herman Miller.”

Prior to implementing i2 solutions, the process of specifying an order then manually checking for materials and capacity could take up to three days. Using Factory Planner and Master Planner, that process occurs almost instantaneously.

Herman Miller’s Results

The results that Herman Miller has achieved since implementing i2 solutions have been nothing short of spectacular.

Inventory turns have tripled, which is critical for a build-to-order manufacturer. i2 solutions have enabled Herman Miller to reduce work-in-process (WIP) inventory by 50 percent. The company has decreased its lead times by an average of 30 percent.

As a result, Herman Miller realized a \$300 million increase in business with virtually no additional capital investment.

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i2 CUSTOMER SUCCESS STORY

Those improvements have led to an increase in both customer service and market share for the office furniture manufacturer.

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