

IQS

ENTERPRISE QUALITY MANAGEMENT SOFTWARE

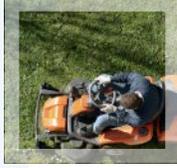


MTD PRODUCTS

CUSTOMER CASE STUDY

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IQS AND MTD PRODUCTS



THE PROBLEM:

MTD had a large supply base and was trying to get a handle on customer RMAs caused by purchased parts. Their supplier, parts and quality information was managed in disparate systems on a plant-by-plant basis. Supplier charge-backs were handled by filling out a 3-part RDVM form – one for accounting, one for quality, and no one knows what was done with the third copy. This inefficient system was costing MTD money and had potential to damage customer relationships. MTD's goal was not only to recover money from suppliers for the bad parts, but more importantly, they needed to improve the process of working with suppliers. The end goal was to reduce (or eliminate all together) the RMAs caused by purchased parts.

THE CHALLENGE:

At first, MTD attempted to develop a system to handle the RMAs but quickly realized the solution needed was much more complex than originally thought. One challenge was that many departments were involved in touching an RMA including quality, inspection, engineering and purchasing. The other challenge was the number of factors which could cause an RMA including equipment, training, out-of-sync revisions and specifications, and incorrect inspection. Handling RMAs essentially required a comprehensive approach to internal and supplier quality. MTD revised their requirements to include:

- The ability to capture and prioritize relevant NCM information and request a corrective action when applicable
- Standardization of defect codes
- Integration with ERP (MAPICS) to provide an accounting record for debits associated with NCM

THE IQS SOFTWARE SOLUTION:

In under 6 months, MTD recovered \$6M with IQS – 1% of their total annual revenue.

Recovered costs were not their only benefit, but they saw dramatic improvement in the identification and reduction of errors causing the RMAs.

- The number of documented occurrences increased 47% the first year and 40% the 2nd year.
- Standardized defect codes allowed for relevant reporting capabilities on a “real-time” basis.
- Allowed for 28% increase in recovery for COPD.

In addition, the new system dramatically improved the effectiveness of communication both internally and with suppliers. MTD was able to more efficiently process supplier debits and improve the accuracy and timeliness of supplier notification. With the data in place to track and monitor nonconformances and corrective actions, MTD initiated a Supplier Scorecard Program to standardize communication with suppliers. MTD identified four performance measures to focus on initially.

MTD and IQS worked together to develop a scorecard that was populated from IQS, ERP and other data sources, for one comprehensive view. Supplier response to the scorecard was positive because they received performance feedback from a customer. Initially, 75% of the supplier calls were to request backup information to support their scorecards. In EVERY case, MTD was able to defend the score with supporting data. The focus of the program shifted immediately from scores to supplier improvement and development.

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