

FE Global Electronics: Improved Profitability with QlikView

“Using QlikView put our company in a stronger cash position.”

Mr. Chow Kek Tong, Chief Financial Officer

Case study in brief

Company

FE Global Electronics

Industry

Electronics (distribution)

Challenge

- Aging inventory
- Aging accounts receivables
- Distributed operations across 10 countries

Solution

QlikView analysis applications pulling from FE Global's SAP system, legacy system and other data sources.

Benefits

- Increased inventory turns and reduced inventory by 15%
- Improved accounts receivable, and decreased aging receivables by 20%, strengthening cash flow and reducing bad debts
- Stronger sales performance through forecasting and customer analysis
- Shared information among finance, sales and operations, with “anywhere-anytime” accessibility

Company Background

Established in 1990, FE Global Electronics is one of the leading electronic components distributors in the pan-Asia region, spanning 10 countries (China, Hong Kong, India, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan and Thailand) with more than 45 regional offices. The company provides products and value-added services of material management solutions, design and development to customers in information technology, consumer electronics and telecommunications.

The business runs at very competitive margins, so cash flow is critical to its success. FE Global is using QlikView to unlock greater efficiencies in inventory, finance and sales for improved profitability.

A Wide Net of Operations Challenged Real-Time Performance

FE Global has undergone lightning-speed growth, from S\$7 million in 1991 to S\$767 million in 2004. It has more than 700 experienced staff worldwide and deals with more than 80 major suppliers and 1,000 active customers.

This broad distribution coverage creates a complex web of supplier and customer relationships. Careful sales analysis, management of inventory levels and proactive monitoring of accounts receivable are critical areas for a distribution company's profitability. However, decision makers had trouble getting consistent, timely and visual information, which had to pull from legacy systems and other data sources, in addition to its SAP ERP system.

The Distributor Selects QlikView to Consolidate Reporting

The company embarked on a Business Intelligence (BI) initiative to better analyze – and therefore improve – performance. The team looked at the traditional OLAP-based products, but selected QlikView to extract and consolidate data from their various business sources and provide a common view of the various business Key Performance Indicators to their decision makers.

“We liked the architecture of QlikView. The ease of data consolidation was a key consideration. At the same time, portability was important for our users throughout the region to work with the system online or offline, and only QlikView offered that.”

Tay Hung Chuan, Senior IT Manager for FE Global



Top management was very actively involved in the project, with the CEO, General Manager and other senior members participating in vendor meetings, requirement gathering sessions and user workshops. “Our GM was present during the first demo of the product, and immediately grasped the benefits such a system could provide the firm”, said Hung Chuan.

FE Global had specific operational issues to address in Inventory, Accounts Receivables and Shared Management Information. Aging inventory and aging accounts receivable was hurting the health of the business, according to Hung Chuan. While each function had slightly different needs, they all shared a common problem. Data from multiple sources required time-consuming manual reconciliation, which resulted in outdated and often incorrect information.

QlikView would eliminate this problem through consolidated reporting – extracting data from the sales, financial and inventory modules in the company’s ERP systems, and budgeting and forecasting information from spreadsheets – with easy to understand visual elements like graphs, charts and dashboard gauges. Moreover, the resulting information would be timely enough to provide actionable views of the business.

Proof of Concept Helps Users Define Requirements

Hung Chuan and his team knew that they’d have a challenge in getting users to define their needs, since people were only familiar with the manual reconciliation of data. The team developed “proof of concepts” for each functional area to help guide the users along.

“The proof of concept served as a launching pad for the users”, said Hung Chuan. “In seeing what was possible, they were able to articulate their requirements, and we were able to help them change their mindset to rely on the information in the applications.”

Results: QlikView Provides Actionable Analysis

Daily-Refreshed Reporting Streamlines Inventory. The lack of timely and correct information made managing inventory a major headache. The organization faced several problems of increasing and aging inventory, identifying and managing demand and consumption patterns and managing obsolescence.

With QlikView, the most current information is always available on tap to users, who can identify inventory problems before they affect supplies to their customers. “Now we have the visibility to monitor inventory proactively”, said Hung Chuan. FE Global has increased inventory turns and reduced average inventory by about 15%.

Financial Visibility Improves Cash Flow and Eliminates Currency Exposure. Managers lacked timely and enough information on receivables aging, which affected cash flow and increased bad debt. Compounding the problem, the company had been unable to get its A/R information in foreign currencies to understand exposure and minimize currency exchange losses. QlikView provides FE Global with a multi-currency view, eliminating exchange issues.

Now, users from the finance department can track Accounts Receivable on the click of a button. They can obtain an entire list of customers whose payments are overdue by 30/60/90/120/150/180/356 days and can drill down to the invoice level. This consolidated and current information is shared with the sales teams for more timely follow up to customers. As a result, the company has reduced the aging of receivables by 20%-significantly strengthening its cash flow position.

Instantly Available Customer Information Improves Sales Performance. “Once we realized the power QlikView analysis provided in improving our internal operations, we shifted our focus to the customers”, said Hung Chuan. QlikView gave sales managers instant information about their top customers and best-selling items, enabling them to identify profitable customers and thus strengthen relationships with them.

Sales managers were also able to analyze the performance of their sales team by different divisions, product groups to support sales performance reviews. If forecasted sales fall behind, account representatives get special attention from management to help improve their performance. Managers are now able to receive alerts on issues which they have defined as critical, helping them to focus on areas requiring immediate attention. “Without QlikView, this would have gone unnoticed for days or weeks”, said Hung Chuan. They have seen a marked improvement.

Shared Information Offers Anytime, Anywhere Accessibility. Since the system is fully web-deployed, managers are now updated with daily information even when they are travelling. They can log into the system from any location to carry out detailed analysis easily, moving the business forward from wherever they are.

“With the same information available to all, people are working together more efficiently and easily”, said Hung Chuan. One of the “soft” benefits that FE Global has gained is better communication among the management, finance, sales and inventory functions.

Best Practices

“How an organization manages its cash flow is key to its profitability”, said Hung Chuan. “We work within slim margins in our business, so the efficiencies we’ve gained with QlikView improved our overall health and competitiveness.”

Hung Chuan provided some advice for other companies about to embark on a business analysis initiative:

1. Senior management sponsorship is critical to the success of the project.
2. Key users in operations must be involved to able to define how the information should deliver value.
3. Users and IT must work together closely to finalize the blueprint and requirements to speed up the implementation.
4. Management must use the new applications to manage the business, and abandon the old ways of reporting. Once management endorses the system through its use, the rest of the company will follow. “If you don’t rely on the system in day-to-day operations, it becomes a white elephant.”

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