



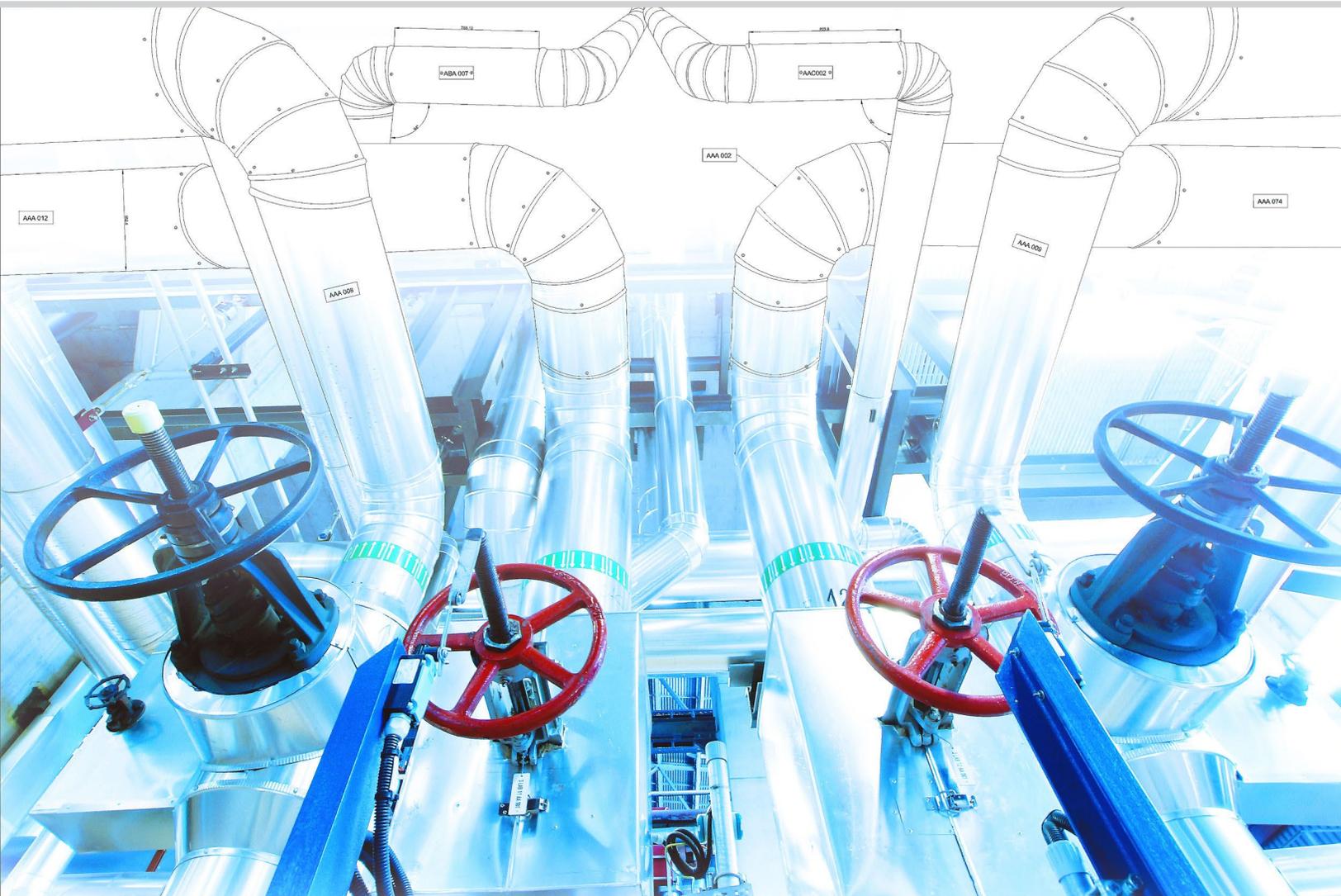
Pipeline to Success

How PVF Companies Can Streamline Operations with Technology



The pipe, valve, and fitting (PFV) industry is changing: Following the downturn in the oil and gas industry over the last two years, many PVF distributors experienced a decline in sales. PVF Industry performance tends to fall in line with economic conditions, and the commodity-like nature of standardized pipes valve and fittings means that demand can be difficult to forecast.

In addition to market uncertainty, the industry is concentrated and competitive with more than 50 manufacturers representing more than 65% of the revenue generated by the industry. More and more this competitive landscape is driving PVF companies to devise new ways to add value to their offerings and stay competitive.



Common PVF Industry Challenges

Market conditions and the nature of pipes and valve components pose several challenges to the businesses that operate in the industry. However, with the right technology PVF businesses can unify and streamline their operations and strengthen their growth strategies. The following guide highlights key challenges facing the PVF industry and how technology like enterprise resource planning (ERP) solutions can be leveraged to overcome these challenges:

1

Remaining competitive in a high-pressured industry

2

Improving the available-to-promise function and inventory management

3

Strengthening customer relationships and supply chain management

4

Maintaining high-quality manufacturing standards

Technology's Role in Business

Success in the PVF industry is determined by multiple factors, however, recognizing how technology can benefit your business is an important step to overcoming challenges and setting yourself apart from the competition. If any of these challenges sound familiar, read on to learn how ERP can benefit your business.



The industry is competitive with more than 50 manufacturers representing more than 65% of the revenue generated by the industry.





CHALLENGE 1: REMAINING COMPETITIVE IN A HIGH-PRESSURED INDUSTRY

Differentiate Your Product Offerings

To limit the effect of commoditization of their products, successful PVF manufacturers and suppliers look to differentiate their product offerings. One such way is by offering innovation. Take for instance the introduction of valve-mounted microprocessors that allow customers to monitor, predict, and control flow from remote locations. By providing customers with the ability to monitor and control devices to predict maintenance requirements before a pipe or valve breaks down, PVF manufacturers and distributors add value to their products. Companies that sell pipe and valve components with value added processes can command a higher price point that reflect a total cost of ownership; including not only the raw material and manufacturing costs but also maintenance and end of life replacement services.

The implication with a product differentiation strategy is that it also comes with a greater need for tighter control and accurate records for higher value inventory – consistent with selective inventory control (ABC analysis). That's where ERP comes in.

Adopting an ERP Solution

With greater product differentiation, it is equally important that businesses invest in their business management systems to better manage key inventories. With an ERP solution, business users can associate inventory with status codes, making it possible to lock down pipe and valve components to a specific customer on a specific date, identified by an assigned code. This code signals to your sales users the status of the inventory. Above and beyond tracking a component in a warehouse, ERP can also help with visibility throughout the supply chain.

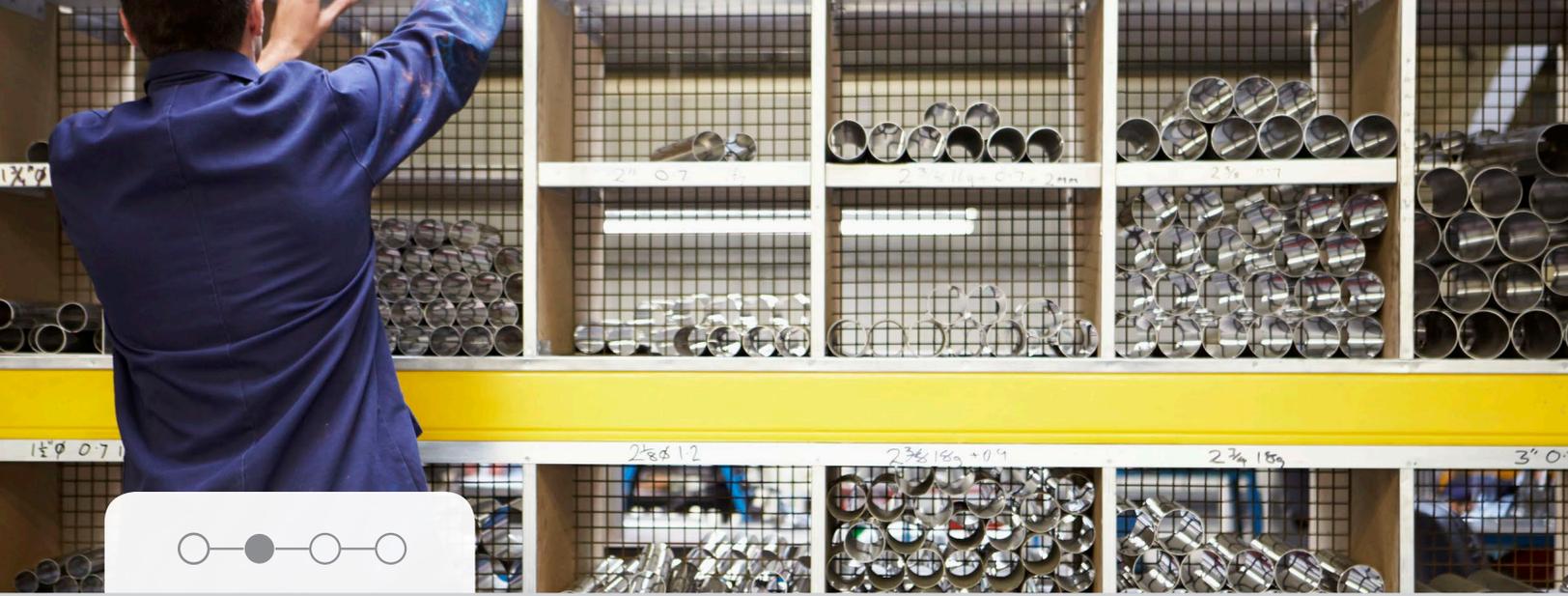


Improving Traceability Throughout Your Supply Chain

For the end-customers of the pipes and valves supply chain, the application for PVF components can be quite demanding. When it comes to oil and gas industry, the stakes are especially high where component failure can result in catastrophe - everybody recalls the Gulf of Mexico oil spill in 2010 caused by valve failure. With larger inventories of sophisticated components distributed in the supply chain, customers are looking to buy from companies that can stand behind their products' quality and reliability.

In the event of defect, using an ERP system to provide traceability throughout the supply chain facilitates product recalls for replacement or servicing. Today, PVF distributors are leveraging ERP solutions that associates customer orders with inventory batch and lot numbers so they can be queried and located any time a pipe of valve fails. Adopting a new ERP solution will improve visibility in the warehouse and what's available to promise. This is where ERP solutions can improve customer satisfaction and stave off competitors with inferior service.





CHALLENGE 2: IMPROVING THE AVAILABLE-TO-PROMISE FUNCTION AND INVENTORY MANAGEMENT

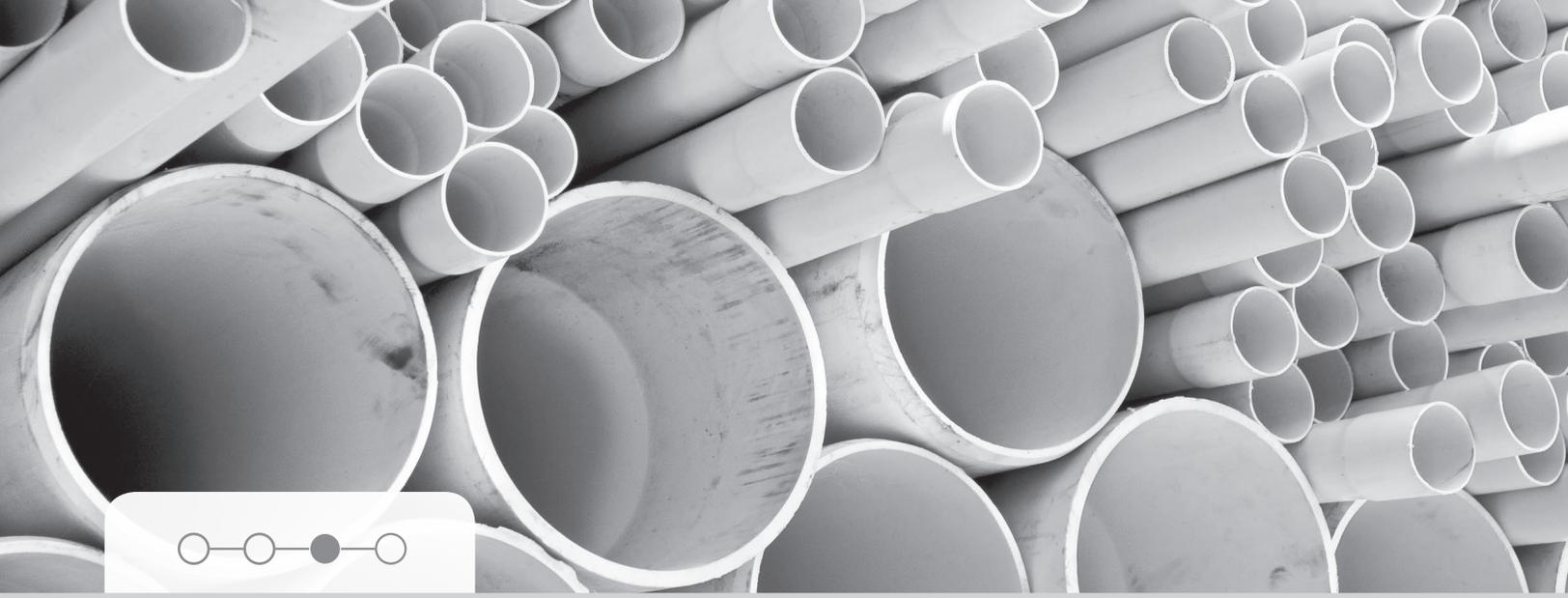
Available-to-Promise Accuracy

Delivering on your company's promise to the customer, whether it's a superior quality product or shorter lead times, is essential to keeping satisfaction high. However, executing custom pipe fitting installation or completing a large customer order for valves requires sufficient inventory on hand. Do you know what your business has available to promise at a moment's notice? How quickly your business can get its custom pipe and valve project executed depends on visibility throughout your warehouse. Completing a material take off (MTO) or customer order means ensuring that you have the visibility to do so. Without the ability to query quantities of critical components, the potential for a delayed order or a broken promise to the customer increases.

Improving Inventory Management

While evaluating your business' inventory management performance, consider the example of building a steam generator for oil extraction. A complex build like this could require hundreds of pipes and valve components installed before delivering the finished product to the end-user. Whether you're the distributor supplying these components or the specialized engineering firm that manages the installation project, inventory visibility is key. If there's an irregular, but critical, component required, ask yourself, whether you can easily track quantity on hand or its location in the warehouse. If the answer is no, it could compromise your ability to provide the customer with proper lead times or deliver the project on time.

Today, more and more companies in the pipes and valves industry are using technology such as computerized processes to improve product quality, minimize scrap, and reduce total manufacturing times. Equivocally, farther down the supply chain, businesses are using modern ERP solutions to improve their inventory management. In the example of the steam generator, business technology ensures that you can tie the schedule and costs accurately, price the project, or acquire the inventory needed on time, to execute a project more efficiently and on time.



CHALLENGE 3: STRENGTHENING CUSTOMER RELATIONSHIPS AND SUPPLY CHAIN MANAGEMENT

Changes in purchasing decisions and customer buying behavior have implications that make use of technology like ERP advantageous for supply chain management. Let's look at some of the industry trends and how they relate to the need for ERP.

Changes in Purchasing Decisions and Buying Behavior

Many corporations now delegate purchase decisions from their specifying engineer partners to professional purchasing agents. More and more, PVF distributors are finding that end-users of the pipe and valve components lack the expertise to deal directly with buying and managing the components for their applications. Instead, end-users are turning to prospecting PVF distributors towards their partnered engineering, procurement, and construction companies (EPC) in the supply chain.

EPCs work with the end-users in process based industries such as oil and gas, utilities, and agriculture to deliver custom solutions that meet their exacting specification. By recognizing these industry trends, it's possible to see that by facilitating closer relationships with EPCs, PVF distributors can ensure a better sales pipeline.

Strengthening Customer Relationships Throughout the Supply Chain

Attending an industry tradeshow, seminar, or conference provides PVF distributors an opportunity to meet and foster relationships with EPCs. These engineers work with the end-users to create a material take off (MTO) that will satisfy the requirements for their specific application. If PVF distributors focus on building better relationships with EPCs to choose their products, it will increase the likelihood that these products will be included in their bids for new business.

With lengthy sales cycles, and end-users selecting from a short list of pre-qualified vendors in the bidding process, maintaining close partnerships with the engineering companies is key. For one, it means PVF distributors can get a heads-up on the pre-qualification requirements, and two it places a company in a preferred position; demonstrating that a business' pipe and valve components meet or exceed the end-users' specifications.

Stronger ties in the supply chain with EPCs ultimately means improving the sale pipeline by expanding the potential customers pool to sell to and reducing sales barriers by obtaining insight into their approved pipes and valves manufacturer lists.



Fostering relationships throughout the supply chain requires a great deal of transparency - more than small business software packages like QuickBooks can provide. ”

Integrating Supply Chain Management Business Systems

To foster relationships with EPCs and other businesses throughout the supply chain requires a great deal of transparency - more than small business accounting software packages like QuickBooks can provide. With exclusive agreements, many businesses have monthly, quarterly, and yearly revenue targets. Therefore, it is imperative that PVF distributors can easily access sales data to ensure that they are on target and maintain relationships with key manufacturers. Accurate reporting has implications farther down the supply chain once a sales goes through to ensure that the installation and commission is going right if a distributor offers value added services or does light manufacturing.

Applications like QuickBooks do not provide the ability for PVF distributors to forecast or create much needed queries that provide insight into the company's operations for a given period. Addressing the need for an ERP system is a chief concern if a business is to maintain key relationships in support of a better sales pipeline.

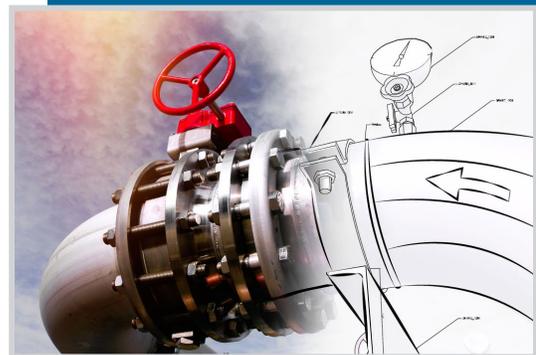


CHALLENGE 4: MAINTAINING HIGH-QUALITY MANUFACTURING STANDARDS

For a pipe and valve company that conducts engineer to order (ETO) manufacturing, selecting your next ERP solution requires careful consideration. Doing business with customers in the global market for industrial valves requires a way to efficiently manage specifications about each client project. Choosing an ERP with integrated project management and budgeting means that you can tighten the pipeline of project information in your organization and ensure the next batch is best.

Centralizing Data Access for Production and Planning

Beyond built to stock pipe and valve components, manufacturers and custom pipe fitters need to store product specifications for each of their clients. Take for instance industrial valves used in municipal water treatment facilities where there are regional differences in valve attributes. Here the item master record in an ERP solution could enable a business to store comprehensive data about valve fittings. Moreover, it would allow for user defined custom fields as well as things like physical dimensions, pressure rating, and material types in a consolidated database.



As your business grows, managing projects on an ad hoc basis needs to be supplanted by structure and efficient tools that can maintain a living memory of the project requirements. Equally important then is the ability for the ERP project management solution to manage data about the batches you produce. The success of which will determine if your business will be able to break into new markets or diversify your client base with business from other industries.

Delivering Projects on Time

A good solution is one that will enable a project manager to query a component's lot number to quickly access all associated information in real-time. The ability to attach documents such as drawings, specifications, pictures, and item master data is essential for production planning activities and to ensure proper lead times are communicated to the client.

By leveraging the data collected by the business management backend of an ERP solution, the primary concern of the project management function can be facilitated; that is the scope, duration, quality, and budget allocated for project.

Additionally, the quality checks part and parcel of the solution will ensure that each batch produced will meet PVF standards for dimension and tolerances. In the case where there is a quality issue, having the traceability to locate the batch of pipes or valves to recall the component produced is also essential.

Conclusion

Whether you're a PVF distributor or manufacturer, the adoption of an ERP solution can help your business overcome common industry challenges and remain competitive when facing commodity-like market conditions. Whether it's improving lead times, better managing inventory, or maintaining high-quality manufacturing standards, ERP helps your business strengthen customer relationships throughout the supply chain. Beyond the standard business management functions that businesses expect from an ERP, the right solution serve as a point of differentiation among the competition by improving customer satisfaction and supporting expansion into new markets.

About Vision33

Vision33 Inc. is a global IT professional services consultancy that solves customer business challenges through the promise of technology and the value it delivers. We partner with growing and large organizations in both the public and private sectors to understand their vision and help them reach it with the right blend of strategy, consulting, and technology. Vision33 global team of results-driven resources provide world-class experience through our office locations in North America and Europe. For more information about Vision33, visit www.vision33.com.



Regional Headquarters

Irvine, CA (USA HQ)

7545 Irvine Center Drive, Suite 200
Irvine, California 92618
Tel: +1 949 420 3300
contact@vision33.com
vision33.com

St. John's, NL (CAN HQ)

210 Water Street, Suite #400
St. John's, NL A1C 1A9
Tel: +1 709 722 7213
contact@vision33.com
vision33.ca

London, UK (Europe HQ)

1 Heathgate Place, Agincourt Road
London, NW3 2NU
Tel: +44 (0) 20 7284 8400
contact@vision33.co.uk
vision33.co.uk

© 2022 Vision33 Inc. All rights reserved. Data contained in this document serves informational purposes only.