

## CASE STUDY

# MEDICAL DEVICE LEADER CONSOLIDATES WAREHOUSE TO IMPROVE COSTS

One of the top 10 consumer health companies in the world and leader in diverse medical devices and diagnostics operates in 60 countries with 128,000 employees worldwide. The company specializes in the manufacture of surgical equipment, monitoring devices, diagnostic equipment and orthopedic products, serving primarily hospital and diagnostic laboratory customers.

Operating in Mexico for more than 80 years, the company had an existing logistics provider that was unable to meet expectations to improve customer service and reduce costs. This left the company searching for ways to stabilize operations, increase efficiencies and profitability.

## CUSTOMER CHALLENGE

A less-than-optimal logistics environment with lack of visibility and inventory control also made achieving quality requirements difficult for the company. Furthermore, it required innovation to stay ahead of trends in supply chain management. Its focus was to deliver products on time with exact order quantity. To achieve this, it needed to be more flexible and responsive to customer order changes through use of an improved inventory management system. In addition, the company desired to deliver quality standards, respond quickly to complaints/rejections and implement appropriate, timely corrective action plans.

### CUSTOMER CHALLENGE:

- Improve supply chain efficiency
- Raise the level of customer service
- Reduce operating costs to improve profitability
- Gain visibility into the supply chain
- Gain a single, strategic supply chain partner

### DHL SUPPLY CHAIN SOLUTION:

- Re-engineer warehouse processes
- Consolidate two warehouse operations
- Integrate systems
- Deploy special refrigerated trucks
- Implement local transportation efficiencies
- Dedicate a fleet to deliver precision equipment
- Switch to reusable safe containers for dry products

### CUSTOMER BENEFITS:

- Reduced transportation cost for varying temps by 50 percent
- Achieved 95 percent Line Item Fill Rate at Shipment
- Reduced logistics costs to 3.4 percent from 4.7 percent
- Achieved profitability targets



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## DHL SUPPLY CHAIN SOLUTION

To reach its objectives, the company needed help to produce an efficient and transparent supply chain and raise levels of service while reducing operating costs and boosting profitability. In response, the DHL Supply Chain team accurately identified the challenges and presented the capabilities in supply chain optimization and service quality through improved access to information, more efficient communication channels, a robust IT platform and compliance with regulatory requirements.

By re-engineering warehouse processes and simplifying operations, DHL Supply Chain was able to consolidate two warehouses into one facility; thereby cutting the operating footprint almost in half to 29,000 square feet. In addition, DHL fully integrated its IT platform, Warehouse Management System (WMS) and Transportation Management System (TMS) with the company's Enterprise Resource Planning (ERP) system. The integration streamlined order processing and gave the customer full visibility into its inventory and supply chain.

Furthermore, DHL implemented local transportation efficiencies to define the optimum routes and delivery frequencies for each of the customer's accounts. This enabled a reduction in multiple hospital deliveries to just once a week and increased truck occupancy from 30 percent to 80-90 percent, resulting in a 25 percent savings in transportation costs.

DHL also deployed customized refrigerated trucks to replace expensive coolers previously used for the transport of temperature-sensitive products. A first in Mexico, DHL worked with a transportation provider to adapt trucks to meet the needs of this specialized market. The innovative modification created two sections within the trucks, enabling frozen and refrigerated products to be transported at the same time – translating to a 50 percent savings.

## CUSTOMER BENEFIT

As a result of these integrated solutions, the company has been able to reap significant benefits. Along with a reduction in logistics costs from 4.7 percent to 3.4 percent, the integrated business processes have simplified the operation and provided the customer a one-stop shop. Most importantly, however, the ability to provide on-time, high-quality, highly detailed deliveries improved the company's credibility in an industry where time can mean a matter of life and death. This has boosted the company's sales, which, along with the operational savings, enabled the company to hit its profitability targets.

Additional benefits were:

- Reduction in costs by 50 percent by transporting products at two different temperatures simultaneously
- Decrease in the operation's footprint by almost half enabled resource optimization and saved operating costs each of which ultimately contributed to achieving profitability targets.
- Achievement of highest Line Item Fill Rate at Shipment in the region at 95 percent, ensuring customers receive products when needed.
- Simplifying process through the WMS ensures inventory accuracy, which keeps the customer informed of product availability.
- Saved 40 percent in packaging materials by switching containers for dry product from cardboard cartons to reusable, plastic totes.
- Improved delivery services with dedicated fleet.

## QUOTE

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*" Our customer indicated that working together with DHL, ensures a new way of operating that benefits all parties: the 3PL, the business and ultimately the consumer. Furthermore, the solution leverages joint capabilities that can positively influence the Mexico hospital sector."*

Ramon Medrano Munoz  
DHL Project Manager

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### For further information

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