

## CASE STUDY

# REDESIGNING GLOBAL SUPPLY CHAIN OPERATIONS



A world-renowned manufacturer of heavy construction and industrial equipment has experienced tremendous growth in recent years, and now operates multiple manufacturing sites and distribution centers across four continents.

In 2010, DHL was awarded a five year contract to act as the company's Lead Logistics Provider (LLP) to streamline and optimise the flow of locally and globally sourced components into manufacturing plants and distribution centres, delivering benefits in terms of logistics cost efficiency, supply chain visibility and time optimization.

## CUSTOMER CHALLENGE

Rapid global expansion combined with growing demand and an extended model range put pressure on the global supply chain. Inbound to manufacturing logistics costs continued to rise and operational performance issues required a new robust and agile solution to be introduced.

In addition to investing in production facilities overseas to support the growth the company began to take advantage of global part sourcing. With suppliers located across the world having real time visibility of part flows into plant was essential to keeping the production lines moving.

With the customer being a sales driven organization (all machines are made to order), and the increasingly volatile economic climate it was imperative the new supply chain was capable of responding quickly to periods of growth and consolidation.

### CUSTOMER CHALLENGE:

- Integrate manufacturing operations around the world to reduce costs and improve control
- Improve visibility of I2M material flows
- Convert inbound material from DDU to Ex Works terms

### DHL SUPPLY CHAIN SOLUTION:

- Global Control Tower strategy deployed responsible for Carrier selection, negotiation and operations
- DHL manage a range of traditional 3PL activities
- IT System (SCI) implemented for all Ex Works collections globally to provide full supply chain visibility

### CUSTOMER BENEFITS:

- Seamless implementation of projects using proven project management methodologies
- Reduction in standard and expedite transport spend
- Visibility of shipments at part level via SCI platform
- No production losses during period of continued growth



## DHL SUPPLY CHAIN SOLUTION

DHL spent two months within the customer's global business units to construct a business case for the Lead Logistics Provider (LLP). The significant supply chain improvements and saving opportunities identified resulted in DHL being awarded an exclusive five year partnership agreement centered on mutual continued benefit (gain share).

Under the agreement DHL is responsible for all air & sea freight, warehousing services, import/export centers and supports elements of 'in-plant' logistics activities in some of the UK manufacturing units with scope for further expansion.

Logistics Control Towers have been established in key geographies (UK, India, USA and Hong Kong) to procure and manage the shipments. To unlock the full potential savings DHL leveraged experience and knowledge to implement an Ex Works conversion programme to provide a complete landed cost policy, transferring transport responsibility to the LLP.

The Control Towers are also responsible for managing the Premium Freight service utilizing DHL's extensive network of Expedite carriers operating in all markets. The LLP operate a controlled premium freight solution through a range of approved carriers, ranging from express van and motorcycle deliveries to aircraft charter, assuring has sufficient resources available at all times to ensure an uninterrupted service and at a controlled cost.

A sophisticated IT solution, SCi (Supply Chain Integrator), underpins the operations creating 'end-to-end' component visibility for all inbound collections destined for plants across the globe visibility to individual part level for all inbound shipments. The LLP optimizes shipment routing and container fill to ensure the most efficient transport plan is designed and delivered with strategic cross-docks established for consolidation prior to onward movement.

## CUSTOMER BENEFIT

During the first 20 months of operation DHL established 4 key Control Tower operations that have exceeded customer and contractual savings targets. They have delivered significant operational improvements and caused no production losses during a period of continued substantial growth.

Key successes to date include:

- £ 2.8mn net savings against customer target of £ 2.3mn
- 16% reduction in standard transport cost
- 35% reduction in expedite transport costs
- 11% reduction in warehousing cost
- 15% of material spend converted to Ex works

Increased visibility has been created within the supply chain by seamlessly integrating the customer's ERP systems with DHL's SCi Transport Management System and Red Prairie Warehouse Management System.

Additional projects include:

- Roll out of in-plant logistics at 4 plants
- Packaging evaluation and redesign to maximise container fill and reduce product damage whilst in transit
- Creation of the World Logistics Centre which acts as an inbound to manufacturing hub for multiple plants located in Europe

## QUOTE

*"Our material management, collection and delivery of incoming goods was not fully engineered to support this business model and was put under review. We agreed that DHL Supply Chain provided the best solution to our needs, and understood best the uniqueness of our business."*

General Manager  
Group Transport & Logistics

**For further information**

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