

SUPPLY CHAIN INSIGHTS

DRIVING SUPPLY CHAIN TRANSFORMATION IN THE HIGH TECH SECTOR

High tech companies are revamping how they manage their supply chains – turning to a lead logistics partner model to cut costs and improve agility

Uncertainty is a fact of life in every industry. But the high tech sector lives with a level of volatility that puts constant stress on the supply chain.

“Product lifecycles are shorter and shorter, sales volumes are erratic, supply chain velocity is ever increasing, and cost reduction pressures are enormous,” observes Paul Parry, Vice President, Global LLP, DHL Supply Chain. “Companies must be able to deal with the pace of change – to react quickly. That requires a highly adaptive network able to manage the complexity of product and customer service requirements while at the same time reducing costs.”

Konica Minolta, the global electronics manufacturer, was facing these exact issues in its Japan operations. The company was finding it challenging to manage the complex logistics of its Japanese market with its existing staff resources. “With more than 100 logistics partners in Japan, we did not have enough resources internally to manage them all,” explains Takashi Kurimoto, Director of the Supply Chain Management Center for Konica Minolta,



Japan. “We needed a solution provider to manage them and optimize our Japan logistics operations. Our biggest priority was to lower our costs.”

Konica Minolta also wanted to increase its supply chain flexibility and resilience overall. While there were many reasons for this objective, two in particular stood out. The company’s experiences with the earthquake-tsunami disaster in Japan in 2011 showed how difficult it could be for the supply chain to recover after such an event. And constantly changing product designs make managing the supplier base and its supply chain challenging, particularly given the high velocity of a high tech supply chain.

After considering its options, Konica Minolta entered into a Lead Logistics Partner (LLP) arrangement with DHL Supply Chain. In addition to providing a set of logistics services, Konica Minolta looked to DHL to apply expertise, resources and oversight to the company’s entire domestic logistics operation in Japan. Over the long term, the company also expected DHL to implement lean logistics processes to cut costs and improve service.

To execute on this charter, DHL assumed management of the company’s Japanese distribution facility network. DHL restructured the company’s domestic distribution network, including opening a new distribution center (DC). It introduced quality improvement processes as a step toward optimizing warehouse operations, and established a new key performance indicator (KPI)-based quality management system to track performance and drive continuous improvement. Additionally, DHL standardized distribution center work processes as well as all transportation contracts to drive efficiencies. And lastly, it deployed shared trucking services to reduce costs.

"We have long-term relationships with lots of logistics service providers, but before we didn't know their full capabilities," says Kurimoto. "DHL's LLP has brought in a standard tool that gives us visibility across our logistics service providers while also providing a system for measuring their performance more effectively."

The LLP arrangement has delivered significant benefits to Konica Minolta. "DHL has hit our targets to reduce logistics costs and expand services," Kurimoto reports. "DHL Supply Chain has transformed our supply chain operation into a more controlled and efficient one by implementing significant process improvements." The LLP's control tower solution also gives the tech company the visibility it needs to quickly respond to potential or actual supply chain disruptions.

Konica Minolta's LLP arrangement illustrates the versatility of this operational strategy. "The beauty of an LLP solution is that, as a customer, you can make it work for you in terms of the goals you want to achieve," says Soeren Bauer, Vice President, LLP APMEA, DHL Supply Chain. "If you have a strong cost agenda, for example, then you align the commercial structure to take cost out. Or, if your goal is resilience and flexibility, then your logistics provider designs a network to deliver those attributes."

"Every LLP arrangement is a journey," Parry acknowledges. "Knowing what an LLP can bring to the table gives companies the information they need to decide what trade-offs they want to make and how they want to improve. This gives them the tools to gain the agility they need to deal with the challenges of a constantly changing business."