

CASE STUDY: INTEGRATED LOGISTICS

Leading manufacturer of construction equipment overcomes decentralisation challenges



In this fast-growing business, the management of its inbound logistics supply chain became fragmented and shipment visibility began to suffer. Partnering with Kuehne + Nagel to rethink its logistics meant an improved ability to monitor performance and costs, resulting in streamlined inbound flows and greater efficiency across Europe.

QUICK OVERVIEW

BACKGROUND

Global acting manufacturer of construction equipment needed to centralise inbound supply chain management to drive visibility, quality and efficiency.

CHALLENGE

Fast growing business and increased number of plants, suppliers and logistics providers, prevented valuable synergy effects. Logistics operating spend and logistics management spend increased.

SOLUTION

KN ControlTower dedicated expert teams ensured a single point of contact as well as centralised data management. Shared services were implemented to optimise the efficiency and performance of the inbound supply chain management.

RESULTS

- Centralised master data
- Steady KPI reporting
- Full visibility

Net result was a lean push supply chain with a significant decrease in logistics costs and increase in service level.

BACKGROUND

Our customer is a globally active, industry leading manufacturer of construction equipment.

An enterprise of this scale and global reach, with an operational footprint stretching across every continent, has complex logistics requirements. As the business grew to accommodate around 1,500 first-tier suppliers shipping to multiple plants, the management of the inbound supply chain became steadily more fragmented.

The company's goal was to implement a model that offered a more variable and lower cost structure while also providing increased visibility across cargo flows and better service quality. The key enabler proposed by Kuehne + Nagel Integrated Logistics was a dynamic European inbound network, centrally managed by a single transport management provider that offered transactional pricing.

CHALLENGE

The continuous growth in number of plants and suppliers had created some significant drawbacks:

- Decentralisation was not matched by a corresponding flexibility in the way data was managed and assessed.
- Each plant operated with its own preferred logistics service provider, leading to inconsistent processes and operational standards.
- With each plant managing its own inventory and inbound supply chain, the customer could not materialize synergy effects and economies of scale in the procurement environment for full truckload (FTL), less-than-truckload (LTL), milkrun and parcel shipments across Europe.

Inevitably, logistics operating spend (LOS) and logistics management spend (LMS) increased. As the negative effects became more evident, the company realised it had to take action.

A rigorous internal analysis was conducted, after which the company approached Kuehne + Nagel Integrated Logistics. The analysis had uncovered vulnerabilities in visibility across the inbound supply chain costs as well as of logistics performances and service quality.



ABOUT KUEHNE + NAGEL INTEGRATED LOGISTICS

- Kuehne + Nagel is the world's foremost Lead Logistics provider, strategically operating in 7 Logistics Control Centres, globally distributed.
- Focused on creating lean, agile and demand-driven supply chains.
- KN ControlTower is a Kuehne + Nagel Integrated Logistics product providing managed logistics services tailored to meet the needs of our customers.
- Our customers' end-to-end supply chain needs managed through one single point of contact for increased visibility, efficiency and the opportunity to focus time and resources on their core business.
- Industry-specific expertise with global reach and local market knowledge.
- Logistics/supply chain management that uses the 3PL expertise and operational excellence of the Kuehne + Nagel Group.

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SOLUTION

Kuehne + Nagel Integrated Logistics proposed a set of dedicated and shared business services from our proven KN ControlTower suite. Priced through a transactional model, the customer was empowered to tackle their primary challenge -- inadequate visibility.

We offered a pricing model that is based on each month's order and value-creation effort instead of a lump sum to ensure lower costs and higher visibility. Combined with the centrally managed inbound network, the customer would now be able to calculate the detailed total cost of ownership (TCO).

These tailored services included Business Management and customer-dedicated expert teams to provide a central point of contact, and to ensure enhanced operational and financial performance.

Shared business services of the KN ControlTower offer included:

- Dynamic planning for reduction of transportation costs via a daily and optimized selection of routes and mode optimization including multi pick and drop, direct LTL/FTL and hub network, as well as a mix of all.
- End-to-end visibility and event monitoring via KN Login, Kuehne + Nagel's global information management platform, along with direct Enterprise-Resource-Planning (ERP) interfaces.
- Centralised request and deviation management to address operational issues, identification of root causes and provision of respective solutions.

RESULTS

The KN ControlTower services exceeded customer expectations and resulted in a significant decrease in costs and a simultaneous increase of the analysed service level.

The set goals were achieved to complete satisfaction:

- Availability of centralised master data and reporting data as well as consistency of processes.
- Steady key performance indicator (KPI) reporting and near real-time traceability of all flows, both physical and financial.
- TCO transparency and optimised inbound flows, for a leaner supply chain.

Following the positive outcome, the customer extended the scope of the project. Kuehne + Nagel now manages inbound flows of parts and components to 28 plants instead of the original 8, including 2 cross-dock locations for overseas outbound consolidation. Special services e.g. return, high & heavy and parcel transport planning have been added over the course of the partnership, and continuous improvement projects are foreseen for 2017.