Challenges and Opportunities for Redesigning and Restructuring the Service Supply Chain

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Today’s discussion

• Market environment
• Supply chain management
• Call to Action
Business challenges
Now more than ever

• Lower costs
• Improve customer service
• Accelerate cash
• Grow profitability
• Compete in changing marketplace
• Manage brand
• Attract, retain knowledge workers
Supply Chain Challenges

- Growth in contract manufacturing
- Shifting global manufacturing
- Unpredictable global demand
- Supply chain instability
- Increasing customer requirements
Suppliers

OEMs / Manufacturers

Uncertainty

Shareholders

Profitability
The Supply Chain: Synchronizing goods, funds and information

<table>
<thead>
<tr>
<th>Plan</th>
<th>Buy</th>
<th>Make/Configure</th>
<th>Distribute/Sell</th>
</tr>
</thead>
<tbody>
<tr>
<td>![Image](50x313</td>
<td>741x455)</td>
<td>![Image](50x313</td>
<td>741x455)</td>
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</tbody>
</table>

- **Customer**
  - Orders and Customer Service
  - Inbound Transport
  - Inventory Mgt.
  - Fulfillment
  - Outbound Transport
  - Customs
  - Returns/Reverse Logistics
Supply chain challenges

- Is your supply chain as lean as your manufacturing operation?
- Is it ready for the next five years or based on history?
- Does it give you competitive advantage?
- Is it flexible enough to shift with the market?
- Is it responsive to customer requirements?
- Does it make sense from a “balance sheet” viewpoint?
Industry Week:  
“Are You Asleep at the Wheel?”

What are your logistics and distribution costs as a percentage of sales?

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Response</th>
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</thead>
<tbody>
<tr>
<td>Less than 3%</td>
<td>12%</td>
</tr>
<tr>
<td>3-5%</td>
<td>22%</td>
</tr>
<tr>
<td>6-10%</td>
<td>13%</td>
</tr>
<tr>
<td>11-20%</td>
<td>2%</td>
</tr>
<tr>
<td>Don’t Know</td>
<td>40%</td>
</tr>
</tbody>
</table>
The Case For Outsourcing

• Return on invested capital
• Optimized inventory levels
• Greater flexibility to meet variable demand
• Increased efficiencies and productivity
• Improved customer satisfaction
Hard disk drives distribution to OEMs

- Reduced cycle time from 30+ days to 7-10 days
- Doubled inventory turns
- Cut inventory by 50%
- Substantial transportation savings
- Improved visibility
- Next: Re-engineer inbound manufacturing process
  – Laptops
Streamlining a Fastener Company’s Cash Flow

- Inventory management
- Lend on value of capital
- Provide term loan secured by assets
- Provide credit insurance to safeguard receivables
- Results: Better cash flow, better customer service, streamlined international trade
After-sales logistics services for semiconductor production equipment

- U.S. field stocking network configured to TEL needs
- Central distribution strategy for TEL replenishment and slow moving parts
- IT infrastructure provides visibility and integration
- 1-hour courier transportation network
- Inventory controls
- Responsiveness to unique TEL requirements
Are you prepared?

- Vendor managed inventory
- Shared supply chains
- Balanced JIT and JIC inventory
- Customized services
- Synchronized commerce
Call to Action

Improved supply chain performance requires

- Synchronized commerce
- Commitment to change
- Holistic approach
- Trusted outsourced partners
- Balance sheet approach
- Collaboration across the supply chain
Thank you