Re-designing the Service Supply Chain: The Outsourcing Challenge

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DPWN

MAIL
- 72 million mail items per day
- High transit time quality
- Global Mail: international mail dispatch solutions

EXPRESS/LOGISTICS

FINANCIAL SERVICES
- Leading retail bank
- 10 million customers
- Strong business unit
- Financial logistics solutions
DHL Service Parts Logistics Vision

Be the global leader in the provision of integrated solutions for the Service Parts Logistics After Market
DHL Service Parts Logistics - Strategy

**Description of DHL roles in the market**

- **Move up in the value chain and provide customer with global one-stop solution:**
  - Help optimize supply chains
  - Co-develop logistics solutions
  - Offer unique value-added services
  - Harmonized global solutions
- **High-value creation potential**

- **Strengthen DHL 3PL role**
  - Manage and execute (mass-customized) logistics solutions
  - Offer extra value-added services

- **Leverage DPWN capabilities**
  - Create economies of scale
  - Leverage customer relationships
### Strategic Positioning of Logistics Service Providers: Moving up the Value Chain

<table>
<thead>
<tr>
<th>Strategic Positioning</th>
<th>Market Considerations</th>
<th>Skill Sets Required</th>
<th>Key Investments</th>
<th>Key Relationships</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Supply Chain and Logistics Innovation</strong></td>
<td>Customized solutions, learning across industries</td>
<td>Conceptual SC knowledge, industry knowledge, knowledge mgt.</td>
<td>Knowledge management</td>
<td>Solution providers, SC IT providers</td>
</tr>
<tr>
<td><strong>Solution Delivery and Logistics Management</strong></td>
<td>Standard or customized solutions, target industries, network driven by customer requirements</td>
<td>Operations, process IT, SC IT, relationship mgt., industry knowledge</td>
<td>SC IT, solutions development, industry knowledge</td>
<td>Innovators, SC IT providers, focused service providers, non-LSPs</td>
</tr>
<tr>
<td><strong>World Class Focused Service Provider</strong></td>
<td>Standard service, many industries, regional or global network</td>
<td>Operations, process IT</td>
<td>Operational assets, process IT</td>
<td>Solution providers, process IT providers</td>
</tr>
</tbody>
</table>
The choice of the right logistics partner is driven by the following requirements

- **Key requirements**

  - **Scale and global focus**
    - Size and global reach are becoming more important as supplier rationalization increases
  
  - **Sector expertise**
    - Sector expertise ensures credibility and leverage of sector specific skills and assets
  
  - **Creation of visibility**
    - Interfacing of systems ensures efficiency and visibility/transparency across the supply chain
  
  - **Risk management capability**
    - Increasing opportunity to share gains, but with increasing risk
  
  - **Bluechip reputation**
    - Successful growth with blue chip clients creates a leading market perception
  
  - **Integration approach**
    - Integrated approach across logistics services required from logistics provider
  
  - **Operational excellence**
    - Deliver highest quality across the entire supply chain
  
  - **Integrated service approach**
    - One face to the customer
End-to-end logistics solutions by combining cross-supply chain activities

Integrated Supply Chain Management

Production Logistics → Supply Logistics → Distribution Logistics

After Sales Logistics

Reverse Logistics in Distribution

Reverse Logistics in After Sales

Integrated Supply Chain Management
DHL Service Parts Logistics Network

- 12 Express Logistics Centers
- Over 400 available Strategic Parts Centers
- Multi Tier Transportation
- 3 Regional LCSC Sterling (VA), Singapore, Brussels
- One Global IS Infrastructure
3 Tier Business Model: End-2-End

- Local multi-tier operation and transportation
- Centralized account management and coordination

DHL SPL
Service Parts Logistics
Centralized Coordination Group

DHL GCS
Global Customer Solutions
Centralized Account Management

Multi Tier Transportation

Central Storage Location (Continent)
First Tier

Regional Storage Location (Country)
Second Tier

Local Storage Location (Area)
Third Tier

Pick Up & Drop Off Points (PUDO)
Third Tier

Service Event Location (Customer)

Order

S C E M*

Replenishment

Next Day Deliveries (COB)

In Night Deliveries

Same day

Call

Supplier/OEM Repair Vendor

DHL SPL
DHL GCS
Quantification of Benefits

**Economic Value**

- **Revenue**
  - Value Levers
  - Services Enhancement
  - Use of credit lines
  - 10%

- **Cost of Service**
  - Materials
  - Logistics, Distribution & Reverse SC
  - Accounting
  - 10%-40%

- **Sales & general admin**
  - Customer Service
  - Supply Chain Admin / Planning
  - 15%

- **Working Capital**
  - IT
  - Inventory level
  - Cycle Time
  - 10-20%

- **Assets**
  - Inventory
  - 10-50%

**Profit**

**Benefits to customer**

- Improved sales through superior service
- Customer loyalty
- Optimized network
- Transportation mode selected according to service level
- Transactional cost
- Economies of scale in accounting
- Lean operation, global IT
- Shared service
- Improved inventory turn rate
- Reduction in total inventory
- Less buffer inventory
- Reduced obsolescence of goods
- Reduced devaluation risk