



Kuehne + Nagel Provides Cost-Savings of 30% by Meeting Demands of Growing Market

Customized supply chain leads to increased productivity

SITUATION

An Italian global supplier of high-tech automotive braking systems manufactures over 30 million components and spare parts per year for 30 different OEMs. The parts are used in cars, motorcycles and commercial vehicles. The company has built its reputation around technological innovation and quality.

The company employs over 3,000 people operating in 14 countries across the globe: Italy, Brazil, South Africa, Mexico, Poland, Spain, Great Britain, Germany, France, Sweden, the US and Japan. New challenges arose from the company's dramatic growth in service demand and distribution to such a wide reseller network. The company also faced challenges involving increase delivery frequency while reducing lead-time requirements and meeting the demand for sales order customization.

In 1998, a strategic decision was made to outsource all logistics functions to a third party. The goal was to address the above issues as well as provide the basis for increased global performance.

SOLUTION

Following a competitive tender process in 1999, Kuehne + Nagel was awarded a four year contract to manage a 20,000 m² (215,000 ft²) European distribution center in Milan, Italy. The solution was initiated by a detailed review of the warehouse layout and physical flows. This resulted in:

- Re-engineering of processes to optimize handling of product and picking routes
- Enhanced synchronization of operations & stock pooling
- Investment in new, automatic co-packing systems to streamline the passage from one production cycle to another for increased productivity and flexibility.

The facility centralizes all finished and semi-finished product inventories from Italy, Spain and Poland. The solution also requires customization of product to order formats using automated co-packing lines and as many as 600 different packaging boxes. The operation handles 16,000 pallets and receives orders continuously through the day with no defined cut-offs. Dispatch is determined by the lead-time for pick and preparation. Transportation is also managed for next-day delivery throughout mainland Europe and overseas distribution.

All packaging materials are purchased and managed by Kuehne + Nagel and in accordance with the company's specifications. This service includes detailed product labeling per unit of sale and includes customer or country specific product descriptions. Value-added kitting services involve accessory inclusion or basic assembly functions.

Product tracking is maintained through the use of integrated RF equipment, which provides the company with detailed flow and status visibility per order at any given time. This information is used to improve the overall planning and management of production and distribution activities.

RESULTS

Since awarding Kuehne + Nagel the logistics contract, the company's operation has achieved ISO9002 accreditation. Productivity has increased by 15 percent and lead-times have been reduced from order placement to final delivery. The company has experienced a 30 percent cost-savings due to the use of an automated packing/labeling system. Transportation costs have been reduced by 17 percent through order optimization and direct deliveries. In total, Kuehne + Nagel has met all of the demands resulting from dramatic growth by successfully managing inventory levels, operating costs and transportation services.

Kuehne + Nagel
127 avenue Ledru-Rollin
75011 Paris, France
Tel: +33 1 48 07 39 39
logistics@kuehne-nagel.com
www.kuehne-nagel.com

