

A control tower for global distribution

For Philips Healthcare, one of the world's leading producers of medical diagnostics systems, Kuehne + Nagel is developing a state-of-the-art integrated outbound logistics system. The planning and implementation of this large and challenging project are in the hands of the logistics specialists of the Lead Logistics Solutions business field

In 2006, after a thorough internal review, Philips Healthcare made the decision to outsource the global management and coordination of its Imaging Systems' physical distribution activities to an external logistics provider. The aim was to allow Philips Healthcare to focus on its core competencies and enable it to meet its stated supply chain goals of delivering operational excel-

lence from supplier to end customer, increasing customer satisfaction, improving cost control, enhancing management reporting and establishing end-to-end visibility.

Medical imaging systems are one of Philips' most important product groups and generate roughly a third of the eight billion euros which the healthcare

sector contributes to the group's total turnover. With large high-tech computed tomography, magnetic resonance, nuclear medicine and X-ray products to deliver and install in medical practices and hospitals, Philips Healthcare manages a challenging network coordinating 6,000 service technicians in over 60 countries with complex last mile delivery and installation requirements. It was this complexity, matched with their drive for "sense and simplicity", that led to Philips' outsourcing decision.

In May 2007, after an extensive tender process that included many of the world's leading logistics providers, Philips Healthcare chose Kuehne + Nagel to implement and manage this challenging plan. Over the next ten months the Lead Logistics Solutions (LLS) business field and the customer worked together in a proof-of-concept phase to create the foundation for a successful Global Control Tower (GCT) deployment by creating harmonised processes, configuring IT systems and managing "live" customer-facing improvement projects. With the proof-of-concept phase successfully completed and after the calculation of the costs and benefits of the envisaged collaboration, Kuehne + Nagel and Philips Healthcare signed a five-year agreement in April 2008 for Kuehne + Nagel to manage the GCT for the Imaging Systems group.

With the preparatory work largely completed, the two companies set about the implementation of the complex solution. This included a transfer of 19 Imaging Systems employees from Philips Healthcare to Kuehne + Nagel. These employees, who provide Kuehne + Nagel with broad institutional and Philips-specific experience, are located in Best (Netherlands), Cleveland (Ohio, USA) and in Hamburg (Germany). Peter Haver, the



Kuehne + Nagel Global Business Manager with responsibility for Philips Healthcare, commented: "Obtaining these employees was a key factor for us. While we have broad supply chain outsourcing and management experience, we lacked the product-specific knowledge and the last mile delivery experience of this very specialised industry. The employees that transferred provide us with many years of experience and a great deal of subject matter expertise." This group of transfers was augmented with a flexible labour force supplied from the Lead Logistics Control Centres, the centralised and shared operations hubs that support LLS business activity in Asia, Europe and North America.

The control tower concept is based on the complete integration of the systems of Kuehne + Nagel and Philips Healthcare in the field of outbound logistics. This gives Philips Healthcare a "single source" for carrier messaging, tracking and communication, while providing Kuehne + Nagel with instantaneous sales and purchase order details as soon as they become available. Armed with the Imaging Systems' order details, Kuehne + Nagel can focus on efficient planning, shipment optimisation, mode selection and cost reduction. In addition, having one, integrated system allows seamless coordination of the different Kuehne + Nagel GCT services of logistics procurement, transport execution, customer service, freight bill audit and payment, KPI / metric reporting and document management.

René Botter, Director of Physical Distribution for Philips Healthcare Imaging Systems, sees this integrated operating environment as a key component of the GCT: "Kuehne + Nagel is an expert in this type of outsourcing activity. With the integrated environment we can harmonise the processes, drive efficiencies and create end-to-end shipment visibility. This transparency will provide us with

the management intelligence to continuously improve, in conjunction with Kuehne + Nagel, our operations."

In addition to the implementation of the integrated GCT solution, Kuehne + Nagel is managing a series of value adding projects that have provided considerable cost savings for Philips Healthcare. With the challenge of a long and complex implementation, Peter Haver recognises the importance of these improvement initiatives: "Managing these value-adding projects allows Kuehne + Nagel to make a near immediate positive financial impact while we are deploying our integrated solution. In addition to creating a more attractive business case, these projects also help us learn the intricacies of the Philips Healthcare business environment prior to the integrated solution being fully deployed."

In August of this year the GCT concept went live at the first sites, and a full roll-out is planned for to be completed in August 2010. Despite the challenges of this complex outbound logistics concept, Kuehne + Nagel is also exploring the possibilities of integrated inbound and warehouse solutions for additional improvement opportunities. Reinhard Schullerus, Senior Vice President Lead Logistics Solutions of Kuehne + Nagel, looks forward to a productive future with such a prestigious customer: "We are delighted to be working together with Philips Healthcare on this important programme. I am confident that it will bring many benefits to both organisations and further add value to Philips' operations in the years to come. The Philips Healthcare GCT engagement represents a flagship account for LLS: a complex, global engagement with a blue-chip, industry-leading customer."

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Lead Logistics Solutions (LLS)

Lead Logistics Solutions is the business field of Kuehne + Nagel that offers integrated logistics solutions. With the end-to-end control of customer supply chains, regardless of what transport and service modes are involved, LLS provides a one-stop-shop solution with centralised accountability and responsibility for cost, quality and performance. LLS offers its services either as an umbrella covering the operational services of various other business fields of Kuehne + Nagel or as a neutral solution, where LLS takes over key components of customers' logistics management. The service portfolio of LLS covers the entire supply chain as well as key IT solutions for customers who are keeping the management function in house:

- Supplier and Inventory Management
- Distribution and Network Management
- After Market Management and
- Supply Chain Technology Solutions (KN DSIA)