



CASE STUDY: INTEGRATED LOGISTICS

Investment in innovative logistics pays off for visionary manufacturer of protective apparel



Global leader in the manufacture of protective apparel and selective barrier technologies, partners with Kuehne + Nagel's Integrated Logistics to build smarter, more cost-effective logistics operation to significantly improve inventory, distribution and information management practices.

QUICK OVERVIEW

BACKGROUND

Major global protective apparel manufacturer needed to re-evaluate logistics operations in response to declining market share and rising costs.

CHALLENGES

Inventory management inefficiencies caused by:

- Lack of supply chain visibility
- Inaccurate forecasting of manufacturing lead times and delivery dates
- Incomplete data in client systems

Rising costs caused by:

- Unscheduled demurrage fees
- Distribution bottlenecks
- Loss of orders

SOLUTION

- KN ControlTower
- Business Process Management (BPM) services introduced e.g. Kuehne + Nagel's Inventory Program, with its focus on continuous improvement
- Use of KN Login, our global visibility and monitoring system

RESULTS

- Greater visibility
- Inventory reductions
- Significant cost savings
- Shorter lead times
- Higher Net Promoter Score

BACKGROUND

Our customer is an industry leader in its field of specialist protective apparel manufacture, marketing its renowned products to all corners of the globe. Despite its deserved reputation as a model for quality and service excellence, the path to success was not always smooth.

By its own elevated standards, concerns were raised when market share began to shrink while costs rose. Change was required to protect the company's reputation and pre-eminence, but first, it had to analyse the business to identify the cause of this disappointing trend.

CHALLENGES

Inventory & information

Besides increased competition, analysis pointed to weaknesses in inventory management caused by information systems struggling to cope with multiple logistics providers. The result was costly delays in servicing their customers with the right products at the right time.

Uneven inventory levels reflected inaccurate demand forecasts used in the company's replenishment model, traced to difficulties monitoring cargo moving through the supply chain. This lack of visibility meant inaccurate lead times in the client's systems, as hand-off delays between different logistics suppliers went unrecognised.

Inventory issues were identified through:

- Core products stocking out
- SKUs proliferating without firm control
- Lengthening replenishment lead times.

Company image

A worldwide reputation for product and service quality has great commercial value. When a decline in Net Promoter Scores by Voice of the Customer (VoC) was reported, it alerted the company to the risk of damage to their status if decisive action was not taken.

Rising costs

Delays are expensive. The company's single distribution location meant inefficient freight consolidation and stretched schedules. In addition, these interruptions in the supply chain created blockages, leading to excessive storage and demurrage costs.

Management of multiple providers

The company realised their logistics processes and systems needed upgrading to deal with the complexity of engaging and managing numerous subcontractors which included freight forwarders, customs brokers, outsourced warehousing, contracted manufacturers, and ocean carriers.

Without carefully designed procedures and tools, controlling multiple suppliers creates business risk. Integrated information systems are essential to assimilate supplier schedules and to avoid performance being measured independently, in silos, rather than as linked components in a cohesive, end-to-end supply chain process.



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: 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 KN Group.

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SOLUTION

To help reach the client target of 95% delivery compliance, Kuehne + Nagel Integrated Logistics proposed a number of collaborative service enhancements. The major components of the solution were KN ControlTower and a package of key business services to reinforce inventory management and tighten control.

The Control Tower concept would remain separate from transportation planning and freight settlement, but ensure:

- Shipment visibility and rigorous exception management
- Tactical control of in-transit orders, shipments and inventory on a multi-tier supply chain
- Network Optimization services and a focus on continuous improvement
- Customer Analytics & Performance Management via KPIs
- Flexible reporting through industry-leading software.

The suite of proprietary Kuehne + Nagel **Business Process Management (BPM)** components and services formed a uniquely customised program of specialised services, but centred around our Inventory Optimization offering.

Further software support would come from an expanded availability of **KN Login**, Kuehne + Nagel's browser-based, global information management system. KN Login offers near real-time visibility & monitoring plus automated exception management to ensure that service failures can be immediately flagged and dealt with. In addition, KN Login offers a multitude of optional services including document management, ordering, and much more, depending on customer needs.

RESULTS

Kuehne + Nagel's solution has been a success.

The client still uses multiple forwarders, brokers and warehouse providers but the true end-to-end visibility now identifies the gaps between hand-offs and includes them in schedules or removes them through devising opportunities for efficiencies. Most important, the marked improvements have been appreciated by the client's own customers who are now able to share the enhanced visibility.

Facts & figures

- Net Promoter Score improved more than 30 points since the change
- SKU analysis shows almost 30% reduction in inventory
- Reduced global transportation cycle by 19+ days with preferred carrier routing & virtual cross-dock
- 79% decrease in annual demurrage fines
- Multi-million dollar savings identified through freight consolidation, mode & carrier selection and weight break analysis.

This engagement continues to be highly successful and beneficial for all stakeholders – the client, Kuehne + Nagel, the subcontractors, and of course the client's own customers. Perhaps the best indication of its success is that the client has extended its range three times since the initial contract engagement, adding:

- A more comprehensive inventory program
- Expanded scope to include additional business units
- Further geographical expansion to include additional regions.