

# PRE-SALES TECHNICAL SERVICES SOLUTION INCREASES FLEXIBILITY IN THE SUPPLY CHAIN ACROSS APAC



2004 saw the start of a successful partnership between a global leader of communication products and services and DHL Supply Chain in Malaysia. Our customer provides business and mission-critical products to both companies and governments. These include robust two-way radios for public safety, business and retail, and RFID and bar code scanners for checkout and inventory management, including a range of hand-held, cordless scanners. Since the collaboration we have delivered successful cost reduction to our customer's two-way radios business through logistics and technical services.

## CUSTOMER CHALLENGE

Our customer has been providing its products across all Asia, facing cost pressure and slow volume growth. For its two-way radios product line, despite steady market demand, volume growth was relatively slow. Tight margins demanded highly efficient operations to reduce cost. The urgency of outbound customer shipments can vary considerably. Same-day evening dispatch of a two-way radios order received in the morning is not unusual.

For RFID scanners, high demand means that the logistics challenge requires simplification to improve fulfillment speed: providing fast, efficient centralized management of product arriving from the US and shipping to all Asia-Pacific countries from the Penang hub. They looked to DHL Supply Chain to improve productivity for both products. Challenges included the implementation of Lean Management and continuous cost reduction programs targeted to save at least 3% – 5% during each contract term.

Deutsche Post DHL – The Mail & Logistics Group

### Customer Challenge

- Increase speed of customer shipments
- Cost and risk of direct employment
- Tight margins on products
- 3% – 5% cost reduction target

### DHL Supply Chain Solution

- Kitting and co-packing
- Customization and configuration
- VMI solution for packaging
- 360K – 450K two-way radios shipped per year
- 180K – 250K RFID scanners shipped per year

### Customer Benefits

- Reduction of working capital
- 99.9% inventory accuracy
- Increased flexibility within the supply chain
- Cost-effective configuration and upgrades
- 3K – 6K same day shipments
- Output increase by 20–50%

## DHL SUPPLY CHAIN SOLUTION

In addition to traditional warehousing consolidation, inbound and outbound management and kitting for finished goods, we provide Pre-Sales Technical Services and Vendor Managed Inventory (VMI) to our customer. The integrated solution is implemented from a 40,000 ft<sup>2</sup> warehouse with a unique layout and flexible workforce.

The Pre-Sales Technical Services include two-way radio and scanner product kitting, co-packing, and customization and configuration.

Configuration work for two-way radios consists of programming, software uploads, language configuration and functionality upgrades. Product and supplier quality monitoring are both managed in the warehouse, including, when required, product screening and inspection. The scanners get licensed programs or end customer's specific firmware downloaded and installed as per specific orders.

As part of the VMI solution, we manage the packaging supplier's performance and optimizes the inventory, making sure that stock is available and maintained at agreed optimal level.

The DHL Supply Chain Penang hub can deal far better with high-demand 'last-minute-rush' fulfillment of scanner orders than shipments historically sent to customers direct from the US.

In order to achieve the needed cost reduction change, the team is running a series of LEAN management initiatives as part of First Choice, DHL's program aimed at improving service quality and enhancing customer focus. These include projects on inventory management optimization, minimizing waste and improving cash-flow for purchased materials for our customer.

Following the customer's acquisition of a US based manufacturer of scanner guns, production of the RFID scanner guns is expected to move from the US to Malaysia by 2014, with volumes set to increase further.

## CUSTOMER BENEFITS

The integrated solution, tailored to the customer's needs, has resulted in improved bottom-line performance and increased flexibility within the supply chain through performing customization and configuration very late in the supply chain, just when it's needed.

By creating the unique warehouse layout, our customer benefits of warehouse capacity at an optimized fixed cost, delivering substantial savings on a long term. Inventory accuracy, fulfillment accuracy and Dock-to-Stock performance have all met stringent KPI targets. For instance, shipping accuracy is 99.99% on all two-way radios pick and pack operations.

Due to the First Choice initiatives conducted over the last 18 months, two-way radios output has risen from 145 units/hour to 195 units/hour, an increase of 20%. Scanner output has also risen by 50%. Same day shipments account for 2K – 4K for two-way radios and 1K – 2K for scanners.

In addition to the savings generated by optimization and efficiency, other cost savings come from a flexible outsourced workforce and reduction of inventory levels across the supply chain through delayed purchasing of goods.

The DHL hub now supports 70% of the customer's product volumes for the Asia Pacific region and has recently been voted as their best third party logistics (3PL) warehouse.

"For almost a decade we have achieved consistent cost reduction for our customer's two-way radios logistics operations, and as a result we are now also managing their growing RFID scanner orders for the Asia-Pacific region. We look forward to our relationship growing even further."

Vijayasundram Balasundram  
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### For further information

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