



Case study

Name: IT Services Provider

Sector: Technology Support & Services

Location: Midlands, UK

Transforming logistics cuts service delivery time and cost

Background

The logistics division of this leading IT services business manages over 20,000 parts movements a month across multiple stock locations. Encompassing central warehousing, a repair workshop, purchasing and stores, the division supports around 1000 engineers in the field and onsite at customer locations.

Fast paced growth in the services business meant the logistics organisation had experienced correspondingly rapid and organic expansion. With stock now distributed around almost 400 locations, maintaining visibility and ownership of stock was becoming a real challenge.

'Lost' stock, item location and identity issues, plus delays in returning items for repair meant inventory was being maintained at artificially high levels. Frequently, additional urgent parts had to be purchased or transported to the point of need, and courier costs were mounting. Meanwhile, not having the right part, at the right time and in the right place meant engineers were often unable to undertake a first-time fix. All of which had an impact on service margins and customer satisfaction.

The logistics teams had become disheartened. All their time and energy was dedicated to event driven problem resolution or overcoming a repetitive cycle of daily hurdles. It was time to step back, take control, and eradicate the underlying issues altogether.

Key challenges

- Deliver the right part, first time and on time to engineers to maximise field operational performance and productivity
- Streamline stock management and controls to eliminate wastage and unnecessary cost
- Enhance visibility of stock across the operation, introducing 'smart' procurement practices to boost service margins

Key gains

- Improved stock management and reverse logistics processes cut inventory by 50%
- Installation of a new perpetual inventory process maximising timely availability of parts to engineering teams
- Achieved logistics cost savings in excess of £800,000 in just 24 weeks

The challenge

The company turned to Managementors to undertake a detailed review of the operation and provide crystal clear insights into the issues impacting the performance of the logistics division.

The Managementors' analysis revealed significant stock leakage across the extended operation; once parts left the central warehouse there was little visibility of where stock was located or its status. The situation was exacerbated by the uncontrolled access engineers had to unmanned remote stock locations, and the ease with which parts could be moved electronically around the operation.

Uncovering the issues

The lack of inventory visibility and control meant parts frequently sat on customer site, in an engineer's van, or languished in stores having been returned under a different part number. The frequency of parts therefore

deemed 'lost' created service issues, necessitating the purchase of replacement stock and the unplanned movement of items around the country.

Inaccurate reporting on stock availability, location, and usage was just the tip of the iceberg. System shortcomings made it difficult to achieve a global view of the service lifecycle, forecast for planned and unplanned usage, allocate parts based on deployment needs, or identify inventory exceptions.

In response, many departments had created their own independent databases and 'workarounds' which muddled the waters yet further.

"The business was effectively 'flying blind', thanks to inappropriate mechanisms to validate what stock the business held, its location, or value," explains the Director of UK Service Operations. "The logistics community rarely retained full responsibility for or control of parts," he confirms. "As a result costs were escalating, and customer satisfaction and profitability were becoming compromised."

"The logistics behind a service operation is a key differentiator. By excelling in this area we can offer a better service level than our competitors, in terms of shorter job lead time and higher first-time fix rates. And we can achieve all this while enhancing our service margin."

Director, UK Service Operations



The solution

Working alongside logistics teams, Managementors set about reviewing the procedures, processes and systems in operation across the logistics business. As part of this drive, the perpetual inventory (PI) and returns management systems were thoroughly audited and invigorated to ensure cohesion and accuracy, and a training roadshow ensured over 400 personnel across the business understood the new systems and their role in the process.

Meanwhile, Managementors embarked on driving a data cleansing project to identify actual stock held, and its location. The elimination of 'ghost' stock records resulted in a more accurate snapshot of inventory, its value, and provided the basis to undertake meaningful planning and reporting.

A new weekly replenishment programme was introduced for engineers to ensure they were equipped with the prerequisite parts for every practical call eventuality related to their territory, expertise or customer base. Engineers were also trained in stock transaction reporting and a new returns process designed to ensure 'bad' items were returned in a timely fashion.

The new Management Operating System (MOS) meant logistics teams now had a sound basis to plan, manage, reconcile and control stock and track and monitor usage. This enabled teams to reduce customer held inventories for example – in some instances by over 50% - minimising storage requirements.

Using accurate reporting, generated by the MOS, the logistics team made the move from 'fire fighting' mode to undertaking proactive management and scheduling. Daily and weekly cross functional meetings meant teams could review key performance indicators, maximise the utilisation of parts available, and identify opportunities for cost avoidance.

Next steps

Having regained the ability to step back and review the business, logistics teams were able to embark on additional projects designed to boost the bottom line.

Implementing a pre-test facility at the repair centre helped cut the volume of no-fault found items sent for external repair, while extending the range of items repaired in-house cut costs yet further and boosted the availability of parts in inventory. Similarly, the introduction of a spares recovery programme from stock assigned for disposal reduced the need for purchasing parts from brokers.

Courier routes were reviewed, and the volume of call requests vetted against parts availability. As a result, Same Day courier costs were reduced by 11%. What's more, the logistics team has strengthened its warranty claims process, implementing an 'at source' notification programme that's slashed return cycle times and helped reduce spend on additional parts to cover non-availability of items.

Outcomes

The logistics operation has achieved significant productivity gains that now translate to improved field service performance, reduced inventory, and enhanced control of parts. In just six months the transformation project has generated over £800,000 cost savings in the logistics operation alone.

"When a job comes in we can allocate stock straight away, replenish with ease, and run reports that show actual costs associated with the job," confirms the Director of UK Service Operations. "With greater visibility and enhanced control of inventory, we've been able to make the move to bulk purchasing rather than the ad-hoc buying, and rationalise our supplier base."

"To boost field service delivery capability and maximise service margins, we first needed to regain control of our logistics operations."

Director, UK Service Operations

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