



Top 8 Strategies

For

Avoiding Service Parts Logistics Traps

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Failing to perform to Service Level Agreements (SLAs) is a real problem. It's not just what happens immediately – SLA failures can affect sales and revenues for years to come.

Following are the top eight ways organizations can help ensure that spare parts and logistics systems support SLAs, rather than inviting failure. While many whitepapers base their assertions on theory - and sometimes conjecture - this document is based on a real-life engagement.

These lessons learned are based on the experiences of Toshiba America Medical Systems (TAMS) and Network Global Logistics (NGL). For the past three years, NGL has stocked, delivered, inventoried and handled returns for many of the parts TAMS uses to repair its medical imaging systems, including MRI scanners. Thanks in part to support from NGL, TAMS' customer satisfaction rankings have skyrocketed.

"Before NGL, we were number four as ranked by a third-party survey," said Scott W. Silcock, Director of Services Logistics for TAMS. "After we engaged with NGL, we quickly moved to number two, and then to number one on parts delivery." (To read more about TAMS' ranking, click link: <http://medical.toshiba.com/news/press-releases/2010/11/22/769/>)

Added Silcock: "Our people in the field will tell you – with NGL, parts went from a nightmare to a pleasure. Our relationship with NGL has become strategic. In the end, their success helps us sell."

Background

TAMS designs, manufactures, sells and services a full line of medical imaging devices: X-ray, MRI, CT, cardiovascular X-ray and ultrasound. It is one of the world's largest medical imaging device companies.

Challenge

TAMS had previously outsourced its service parts logistics operations to a different provider. However, issues such as poor on-time delivery of critical parts affected TAMS' ability to meet its SLAs – something not in tune with a company focused on continuous improvement.

Thus, TAMS began searching for a provider that could offer an integrated solution with consistent, reliable, industry leading service levels – which in turn would enable TAMS to meet its SLA commitments to its customers.

Top Eight Lessons

1: Make Sure You Find a Partner, Not a Vendor

Though this is something of a cliché, TAMS found it to be true. A partner is in it for the long haul. Partners will:

- Look for ways to help your organization save money
- Make the commitment to integrate IT systems to increase efficiency
- Consider your organization's reputation and well-being every step of the way, because that's the right thing to do and ultimately good for business
- Invest in the relationship with your organization, financially and emotionally

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2: Find a Service Parts Logistics Expert: A Hungry Company, Ready to Work Hard

"We looked at several possible partners for handling our service parts logistics," said Silcock. "One was a household name, but we felt we might get lost with them. By the same token, we didn't want to go with somebody too small. They had to be able to scale."

Network Global Logistics fit those requirements, according to Silcock.

"They are a right-size company," he said. "Not too big to where we would be lost, and not too small. They are the experts in logistics, moving parts and items from A to B on time, and managing and keeping track of everything, which is very important to us. They let us focus on our core imaging capabilities."

Flexibility is key, he noted.

"We were looking for a company that could meet our growth rate," said Silcock. "I needed to be able to call and say, 'I need a warehouse in a week in city x.' And I need that to go off without a hitch. We looked at three or four companies and chose NGL as the leader - and we have never regretted it."

Now, 33 of 34 of TAMS' warehouses are run by NGL, and that number is growing by two or three a year.

"They match our growth rate as we stock more parts," said Silcock. "They have been very flexible. It has been a terrific experience."

3: Make Sure Your Partner Understands the Importance of Metrics

In a world ruled by kaizen, metrics are vital. TAMS' partners must be able to quickly provide the information TAMS needs to track performance.

"One important aspect of the NGL relationship," Silcock said, "is the quarterly business reviews NGL builds. These documents quantify all key metrics. It's a formalized, precise process that shows TAMS exactly what is going on."

"We have a thick stack of KPIs we watch with NGL," said Silcock. "They break down shipping costs and they work with us on how to reduce them ... We are a culture of continuous improvement, and NGL aligns with that culture. We know this because the numbers show it."

4: Find a Partner that Will Make your Company Look Good in Front of Your Customers

TAMS' service cannot excel unless NGL is great. As far as hospitals are concerned, NGL *is* TAMS. If everything goes well, that is reflected in TAMS' overall satisfaction scores - and, ultimately, in its sales and revenue.

"We are extremely pleased with NGL and would absolutely recommend them," said Silcock. "I say that based on the results, on the data."

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5: Look for a Partner Ready to Invest Time, Energy and Infrastructure

NGL is committed to providing systems and technology that enable TAMS to be more competitive.

Example: The companies are setting up dual databases that will help TAMS as it migrates to an Oracle system that will provide increased parts visibility and availability. NGL is helping with the architecture and evaluation. Together, the companies are developing a five-year road map to make sure IT systems are aligned and automation is maximized.

“In logistics, you are going to have a problem,” Silcock said. “That is the way it is. The important thing is how NGL prepares and responds. They give quick feedback, they take appropriate action and they look for a root cause. They also look ahead: ‘What can we do so this doesn’t happen again?’”

6: Choose a Single Provider for Efficiency

TAMS believes one of the advantages of using NGL is the fact that so much of its domestic supply chain can be handled by a single source provider. NGL handles its NFO shipments, service parts warehousing and logistics, LTL shipments, parts returns and more.

With one provider, efficiency increases. This is something noticed not just by customers, but by the TAMS technicians working so hard to provide great service and value.

“Engineers are really difficult people to please – they are not shy about letting you know when they are not happy,” said Silcock. “With NGL, we don’t give them anything to complain about any more. With NGL, life is good.”

7: Make Sure Your Partner Can Handle Inventory and Returns

At NGL and TAMS, it’s all about the process. When an engineer arrives to repair a CT or MRI machine, she or he usually has an idea of the parts that will be needed – but extra parts are often ordered just in case.

Before NGL, engineers would have to repack and hand-carry unused parts to the shipper. NGL found a better way: It provides return labels, automatically tracks the shipment, properly inventories parts and makes sure they are accurately restocked. The result: Improved efficiency, much more accurate inventory and reduced costs.

“We just finished the annual physical audit and it was the most accurate we ever had – the best in our history,” said Silcock. “Everything is where it’s supposed to be. Nothing is lost. That’s a big deal to our parent company – so big that they use outside auditors to check us. Being above 99 percent is best in class.”

More accurate inventory means TAMS saves money, since it reduces carrying costs. In fact, the company’s 2010 annual inventory audit proved to be the most accurate in company history.

“But we still have confidence that when we reach for a part, it will be there,” said Silcock. “Accuracy is dollars.”

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8: Find a Partner That Will Not Fail

NGL does not tolerate failure. That is what TAMS and its customers need.

"In our environment, we are talking about hospitals and ER centers - some of the busiest in the world," said Silcock. "A prompt response to service issues is essential."

Because NGL builds its systems and processes around the concept of no failure, its on-time percentage exceeds 98 percent. If a part NGL is delivering is a minute late, that is a failure. One of the reasons for NGL's leading on-time rate is its predictive systems. These systems look ahead to find areas where problems may occur. They then find ways to prevent failure.

NGL also provides fully automated proactive communication for TAMS, so that field personnel, engineers, techs and management know precisely what is happening in real time.

"When the customer is asking when the part will arrive, you want to be able to provide that information," said Silcock. "With NGL, we know."

Conclusion: Better Service Means Increased Sales

Because NGL is best in class, Toshiba America Medical Systems' service is able to exceed its customers' expectations.

"In terms of customer service, before NGL we were number four and for the last two years we have been number one in parts-related ratings," Silcock said. "That is huge. The difference was NGL. The cliché is Sales sells the first system and Service sells the next ten. NGL helps with our overall customer experience, so that means it helps with sales."

What Can Go Wrong if You Fail to Find the Right Partner

To give one example of how NGL helps, it can quickly provide two-person teams (or more). This is critical, for example, when heavy, awkwardly shaped equipment needs to be transported. To give one example, NGL was able to move a delicate 320-pound fluid-filled tube worth some \$70,000 without tipping or damaging it. If the crate had been tipped, fluid could leak and the tube could be destroyed.

Attention to detail is crucial. If your carrier, for example, doesn't match serial numbers correctly, the wrong part could go out to the hospital and be installed. This is a huge problem for companies with imaging equipment in hospitals. There are serious penalties for repeat offenders. NGL staffers double-check all serial numbers.

Partner Checklist

- Speed of Service
- Technology
- Visibility into Inventory and Shipment Status
- Accuracy of Inventory and Reporting
- Improvements to Operating Efficiencies and Costs
- Communication
- The Overall Customer Experience

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About Network Global Logistics

- Founded in 1971
- Innovator and Pioneer in Mission Critical Parts Distribution and Warehousing
- One of the Largest NFO providers of Mission Critical, Time-Definite Transportation Services
- Premier Provider of Warehousing, Distribution, and Inventory Management
- Company Owned/Leased Facilities in U.S. and Internationally
- Providing "Big Box" Warehousing and Distribution since 1997
- Strategic Stocking Network
- 380 Global Forward Stocking Locations (200 US, 130 EMEA, 50 APAC)
- 13 Company Owned Regional Distribution Centers
- Over 3.3 million square feet of Global Warehouse Space
- Exclusive FedEx partner for Same-Day Air and Ground Shipments

Why NGL

- Right Part, Right Place, Right Time
- On Time Performance (over 98%) (Sample SPL Client – inbound: 700 orders / 2,000 pieces per month; outbound: 1,000 orders / 1,500 pieces per month)
- Inventory Accuracy (99.7%)
- Consistent, Reliable Performance
- Integrated Supply Chain Solution - Warehousing/Inventory, Stocking Locations & Mission Critical Transportation
- Superior Inventory Management and Transportation Systems
- Door-to-Door Visibility, Control & Communication – NGL provides unmatched service levels to Field Service Engineers and Customers
- SPL and NFO Industry Expertise
- Medical
- Telecommunications
- Data Networking and Storage
- POS – Point of Sale
- AOG – Aircraft On Ground
- Life Sciences (blood banks, organ & tissue, etc.)
- World-Class Customer Service – available 24x7x365, thanks to our Global Command Center

Contact Information

Bill Hale

Vice-President, Sales and Marketing
Network Global Logistics

Bhale@nglog.com