

'Beyond Logistics'

Driving Profitability through Services

Luxembourg Logistics Management Forum 2010

25th February 2010

Nick Frank in cooperation with GC Partner

Frank-Partners

Pathways to Services Profitability



GC PARTNER

About Nick Frank

- Professional Engineer
- Last 11 years in Services
 - Textron Fastening Systems
 - Full Service provider programs for Automotive
 - Logistics/Purchasing/Engineering Services
 - Husky Injection Molding
 - Lifecycle services & cultural change
- Consultant: working with Industrial business to profitably develop services revenues



Mel Gibson Helen Hunt

What Women Want

He has the power to hear everything women are thinking.

Finally... a man is listening.

customers

supplier

Understanding customer value is the key to services growth

Beyond Logistics

Driving Profitability through Services

Agenda

1. Trend towards servitization
2. Implementation of a Roadmap
 1. Clarify Strategy
 2. Understanding the challenges
 3. Executing the plan

1. Services to Survive?

'The process of Servitization'

- Commoditisation of products & services
- Saturated markets
- Attraction of higher margin business
- Trend to outsource

Health Warning

**Significant change
May not be right for you**

Strengthening the customer relationship by moving from Product to Solution

Leading Tyre Brand

- Tyre management in large fleets is complex
 - Commercially
 - Technically
- Developed tyres-by-the-kilometre
- Organisation and skills impact



Source: From Product to Services, Laurie Young 2008

The Logistics Sector has seen a huge development in the services offering



The Integrated Logistics Group

DB Schenker is one of the leading international providers of **integrated logistics services**.



Exel designs and implements innovative **contract logistics solutions** for market-leading companies in a wide range of industries.

KUEHNE+NAGEL

Integrated Logistics Solutions

Kuehne + Nagel delivers **integrated solutions** across the supply chain that turn companies' logistics challenges into real competitive advantages.

Source: Company websites: February 2010

A global leader in fasteners

Working with a 3rd Party Logistics Provider

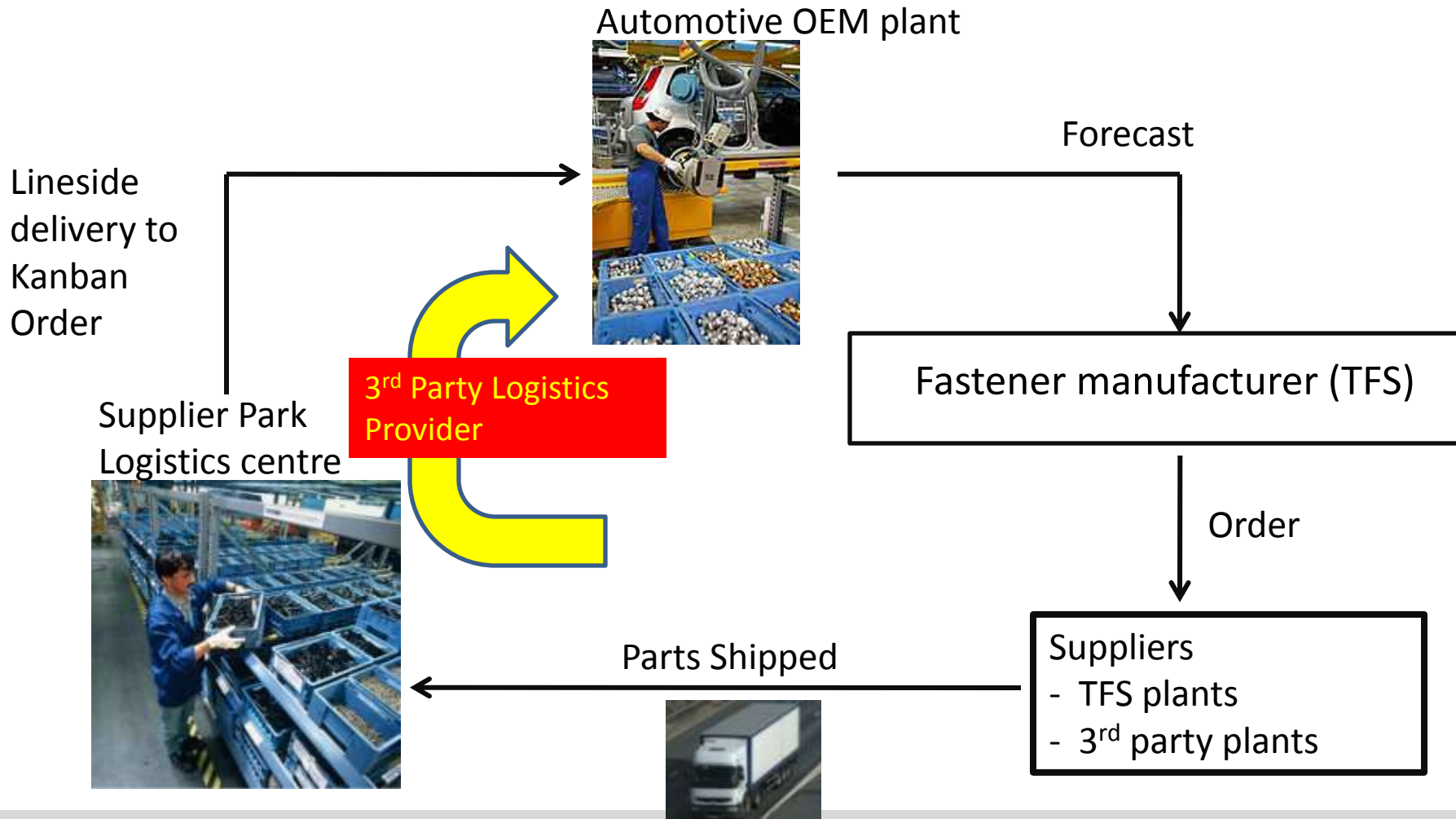
Background

- Largest fastener supplier to Automotive
- 1999: Contract to deliver all fasteners to Ford Fiesta plus Engineering Services
- Limited logistics expertise and footprint

Requirement

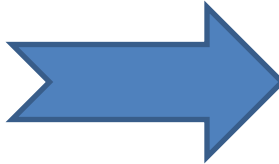
- Symbiotic relationship
- Partner to manage logistics at a fixed cost per car

Europe's first Fastener Full Service Provider program



Clients perspective of the relationship

Full Service Provider Program



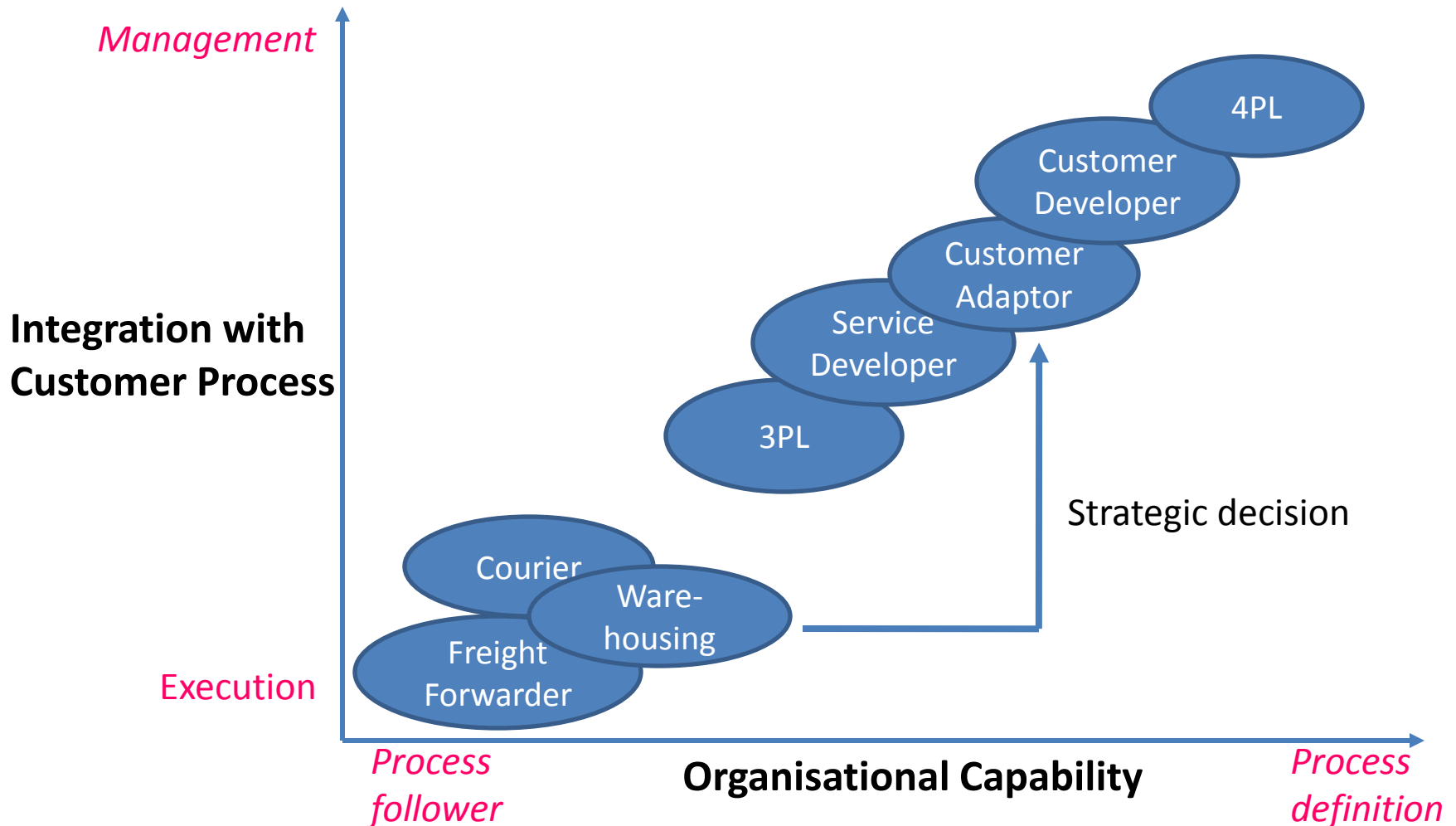
2. Roadmap

2.1 Clarify Strategy

Where do you want to go? Specialist, solutions or.....



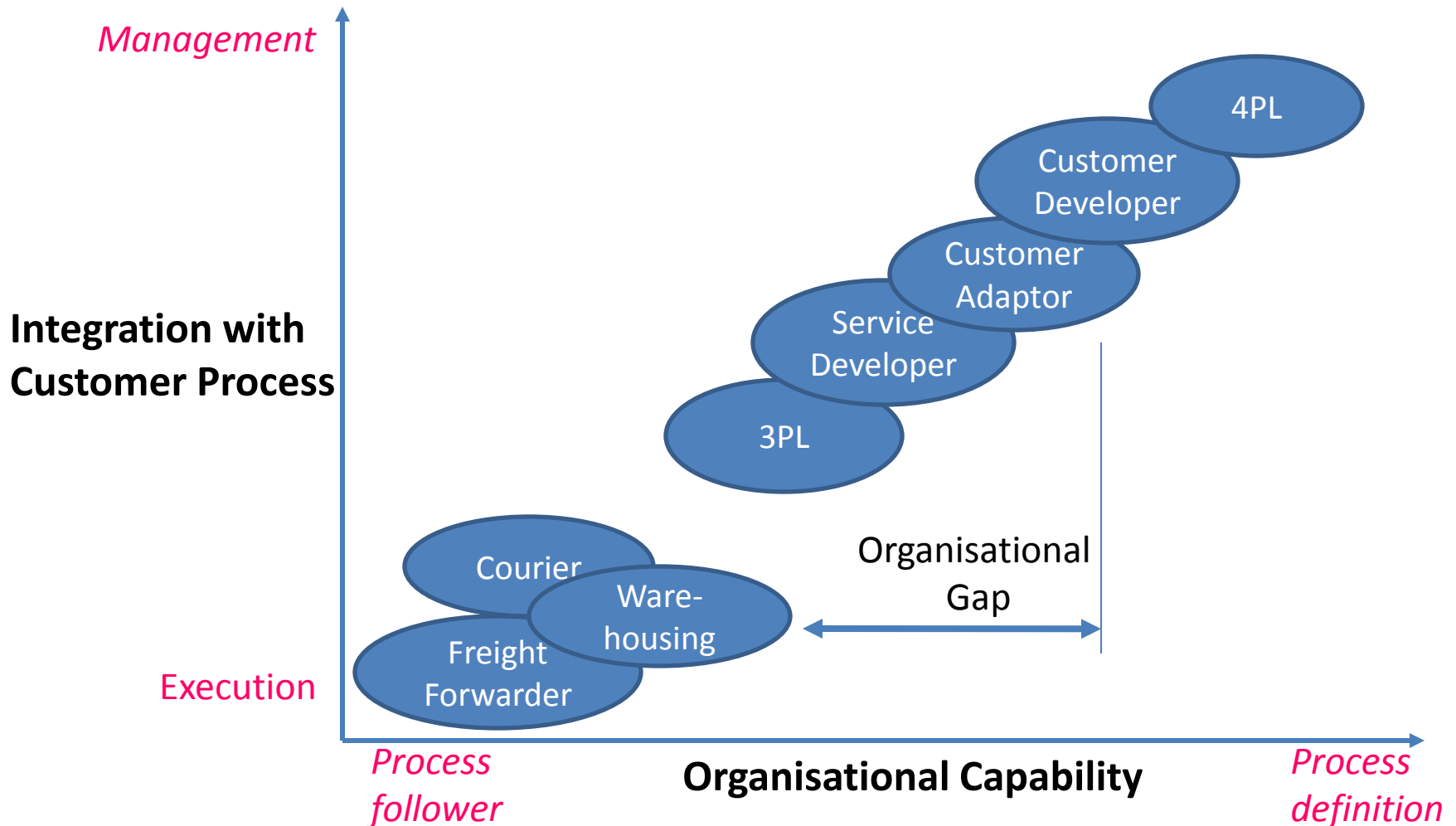
What is your current competitive position and where do you want to go



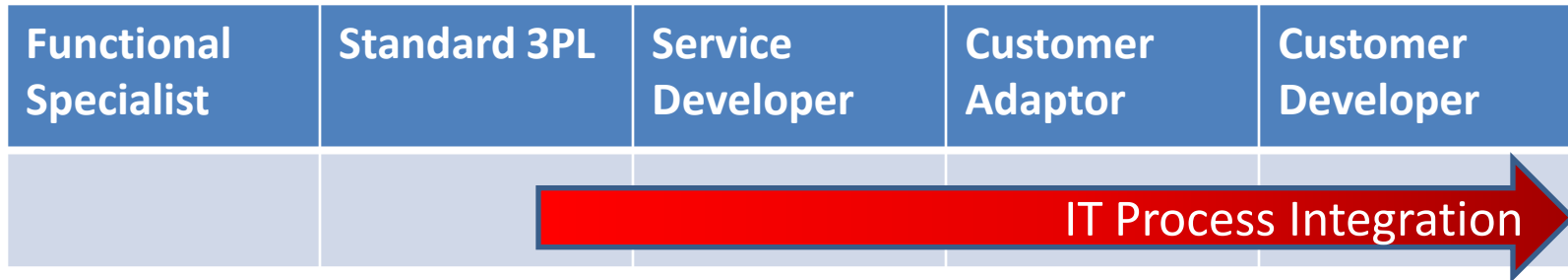
2. Roadmap

2.2 Understanding the challenges & closing the organisational gap

What is your current competitive position and where do you want to go



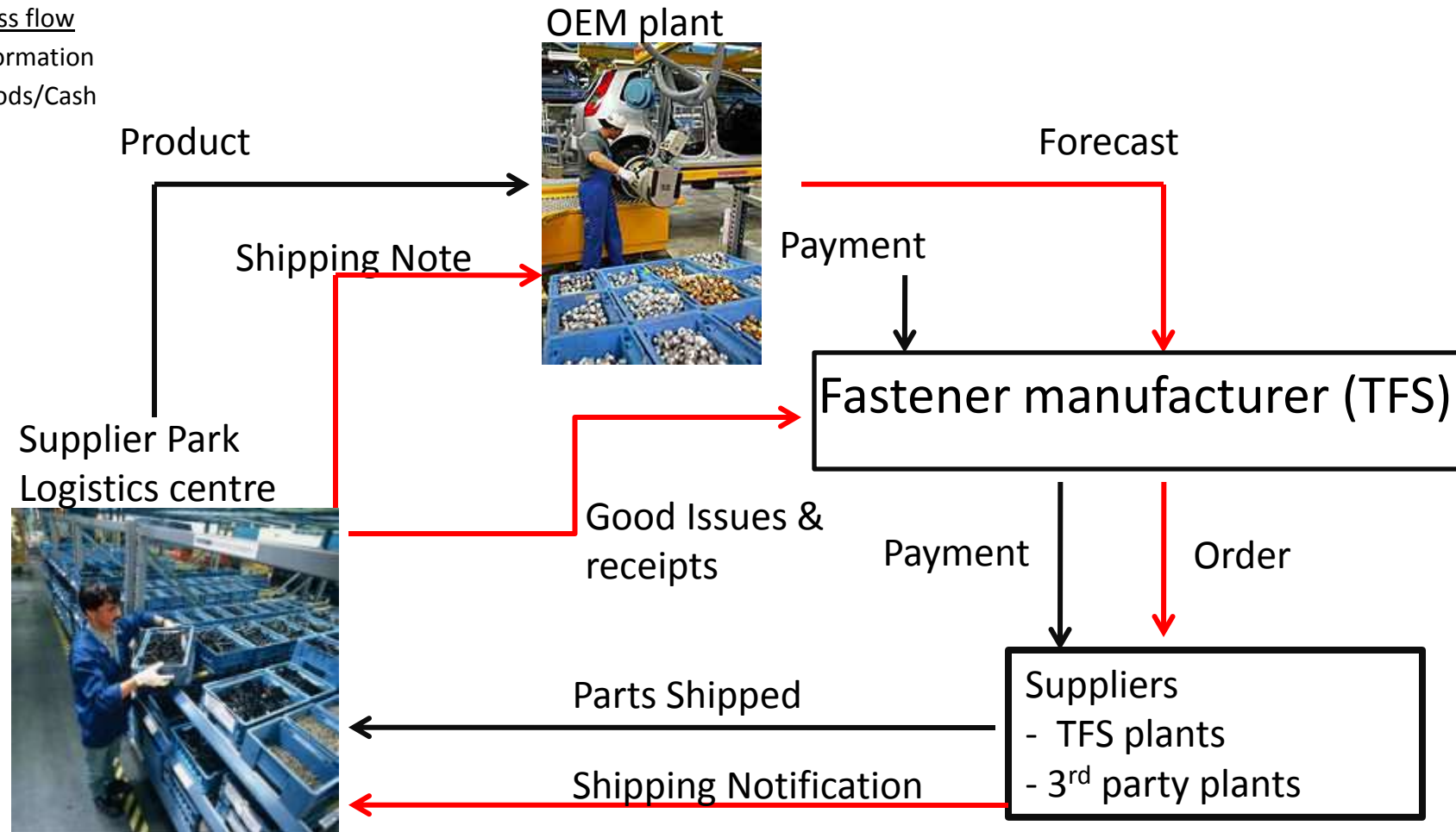
Gap Analysis allows you to understand the organisational challenge



3PL must understand impact of information flow / Transactions / IT on clients business

Key to process flow

- Information
- Goods/Cash



Gap Analysis allows you to understand the organisational challenge

Functional Specialist	Standard 3PL	Service Developer	Customer Adaptor	Customer Developer
				IT Process Integration
				Culture: Focus on Customer
				Culture: New Services Development process
				Project Management
				Relationship management
				Business Risk

3 Organisational options to overcome your organisational gaps

- Organic
- Joint Venture
- Acquisition

What is the right answer for you?

The development of this 3PL versus steps 1 & 2 of the roadmap

Background

- Family business established 1917 providing haulage services in Saarland
- Late 80's recognised that needed to expand services offering & created a separate business unit
 - Contract warehousing in Saarbrücken & Köln area

Observation

- Need for strategic change recognised
- Driven by the Leader
- Recognised different challenges to main business

Closing the organisational gap for the FSP contract

- Recognised skills and resource gaps
- Worked with partner companies
- Invested in people
- Dedicated team

2002 was acquired itself by a major player

2. Roadmap

2.3 Executing the plan - 4 key drivers

1. Do you understand the value of your services to your clients

- Can you define the value of all the different aspects of your service?
- Understand costs?
- How easy are you to substitute?
- Does your customer understand the value they are receiving?



2. Industrialising the Service process is key to profitable growth

Challenge: Changing customer specification

- Modular processes to deliver unique solutions
- People, People

Challenge: Accurate timely information

- IT Systems should be robust, flexible & scaleable

Even leaders such as Schenker sometimes need new IT solutions

Background

- Schenker Aeropart ERP could not meet requirements
- Wanted a warehouse management system capable of supporting web ordering , Vendor managed Inventory & multi site / multi-region / customer environments



Solution

- Developed a solution with 3rd party supplier
- Web based VMI solution



Lesson:

You do not always have to develop your own solution

Source: www.waersystems.com

3. Does your Sales team understand the clients business need



Rewards & Risks from greater customer intimacy

...this cleaner shrimp must have really understood his client to avoid becoming dinner?



4. Leadership Commitment

- Fundamental to companies direction
- Change in mindset
- Investment in people & systems
- Its not a smooth road

Current State of 3PL within the case study

- Long term commitment to evolution
- Relationship survived ownership change for both supplier & customer
- Used contract to build their organisation
 - Investment in People
 - Developed a self standing organisation
 - Integrated WMS with parts tracking in IT systems
- New Services developed with customer
 - Supplier Management, packaging management

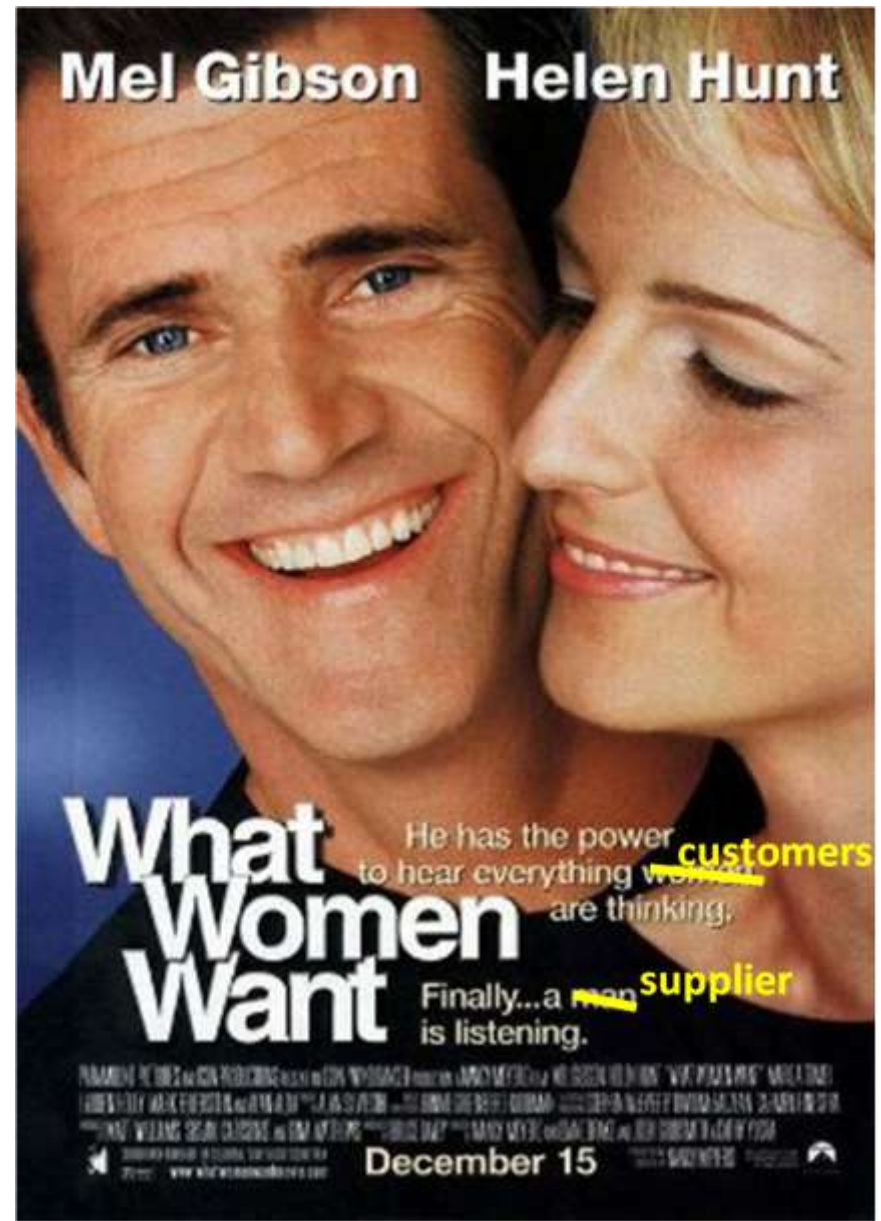
In conclusion

1. There is a trend towards integrated services and solutions
2. A clear roadmap exists:
 1. Clarify Strategy
 2. Understanding the challenges & plan to close the gap
 3. Executing the plan
 - Understanding customer value
 - Industrialise the Service process
 - Sales team that understands clients needs
 - Leadership Commitment

‘We as an organisation need to to have a much better understanding of the value of service to a customer, rather than what we think value of a service is’

Service Operations Manager

Source: Towards an operations strategy for product-centric servitization: Baines et al 2009



Villmols merci fiir Är Opmierksamkeet!
Merci de votre attention
Vielen dank für Ihre Aufunerksamkeit!
Thank you for your attention

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