

## CASE STUDY: HIGH-TECH

## Sharper focus on supply chain gives Lexmark new perspectives and competitive advantage



Lexmark, a global name in innovative imaging products & services, collaborates with Kuehne + Nagel on widescale review to re-evaluate all areas of its supply chain organisation, finding both potential efficiencies and customer service enhancements.

## QUICK OVERVIEW

## BACKGROUND

Lexmark, major global high-tech business serving more than 170 countries, partners with Kuehne + Nagel to review supply chain and identify potential efficiency improvements.

## CHALLENGES

Joint review reveals a number of possible improvements:

- Suboptimal container use and logistics flows
- Need for greater efficiency in smaller markets / orders
- Lead time buffers and ASN

## SOLUTION

Based on comprehensive report from joint review team, several measures introduced, backed by:

- Strong project leadership and methodologies and positive collaborative mindset
- Many processes reassessed and reconfigured
- Latest technology.

## RESULTS

- Targets overachieved, inc. net annual costs and cycle times
- Significant efficiencies in container use and CO2
- Smaller markets better served.

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## BACKGROUND

Lexmark, a household name in printing and imaging solutions, is US-based but operates in North & South America, EMEA, and Asia Pacific, serving business customers and retail consumers in more than 170 countries. Lexmark offers a full range of high-end laser printing products and imaging solutions, and is a pioneer in the managed print services field, helping clients to efficiently operate and service their printer fleets.



Delivering results that exceed customers' expectations is a top priority for Lexmark's Worldwide Supply Chain Operations (WCSO) organisation. Their clear mission is to:

- Maintain "best-in-class" delivery (delivery metrics)
- Further improve customer experience ("voice of the customer")
- See logistics as a competitive advantage (cost, flexibility)
- Continue/further deploy "Lean Journey"

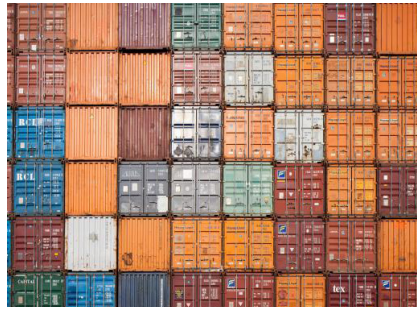
## CHALLENGES

Lexmark sources most of its products through vendors in China, using Kuehne + Nagel for its entire inbound EMEA logistics. This supply chain was highly optimised for ASN and information flow, but as Lexmark has Corporate Partner status, Kuehne + Nagel proposed a joint review of Lexmark's finished goods and spare parts supply chains from China to EMEA, Oceania and South America, looking for services improvement and cost savings.

The project, sponsored by Senior VP/Chief Supply Chain Officer Tonya Jackson of Lexmark WSCO, and Thorsten Meincke, Kuehne + Nagel's Senior VP Sea Logistics, was conducted via Corporate Partner Solutions in alignment with the Global Key Account Manager.

The workshops and whiteboard sessions used techniques like "gemba" learning, process owner problem solving and in-house design methodologies to review several potential improvement areas. A compelling report offered not just operational benefits and greater efficiency, but evaluated potential risks. Improvement observations included:

- Suboptimal use of containers
- Spare parts and finished products logistics flows being managed separately
- Mix of Incoterms and VMI / non-VMI flows
- Smaller / emerging markets could be difficult to serve efficiently
- Need to support a smaller order strategy without inflating transport costs
- Lead time buffers
- ASN performance subjective measurement.



## ABOUT KUEHNE + NAGEL

- **World's number one seafreight provider and number two in airfreight, with strong presence in contract logistics and overland businesses.**
- **Founded in 1890 in Bremen, Germany.**
- **Approximately 70,000 employees at more than 1,300 company-owned locations in over 100 countries.**
- **Focused on providing IT-based integrated logistics solutions across wide range of industries.**
- **Advanced global information network, KN Login, offers real-time visibility and monitoring.**
- **Known for developing industry-specific, lean, sustainable solutions to meet the unique challenges of our customers.**
- **Financially stable, publicly quoted company with a reputation for strong leadership and innovation within the global logistics industry.**

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## SOLUTION

After the detailed business case and solution review, a proof of concept was implemented, focused on order-driven dynamic transport planning, mixed containers, early supplier engagement and enhanced business process KPIs. The key enablers included:

### People

- Strong senior management sponsorship from both businesses, and a competent project team
- An open, partnership-minded approach to the collaboration, with one lead from solution design to implementation phases (Kuehne + Nagel Corporate Partner Solutions Team)
- End-to-end supply chain support from regional key account organisation in HK and Belgium

### Process

- Dynamic order-driven transport planning
- Vendor Management & Buyer Consolidation programme
- Change management: Vendor on-boarding and cost-savings benefit review
- Business intelligence dashboard and continuous improvement
- Revision of SOP, with particular focus on export process.

### Technology:

- KN Login, industry-leading 360° visibility and active control platform
- Purchase Order management and transmission
- ASN
- Business Intelligence and KPI dashboard

## RESULTS

Targets were exceeded with a seamless operational transition and smooth change management.

- Annual net transport cost savings of approx. 17%, compared to conservative target of 4.5%.
- Cycle time target also exceeded, reducing by 3 days on average from target of "unchanged"
- Fill rate for 40' containers improved from 57% to 69%.
- Mode mix improved by reducing drastically the LCL and number of 20' containers.
- 13% fewer containers meant reduced dock congestion, and lower CO2 carbon footprint.
- Cargo integrity and packaging requirements were maintained.
- Ability to serve more efficiently smaller geographies (e.g. emerging markets).
- Support smaller order policy ("Pull" process).



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The project won the prestigious "Commonwealth Supply Chain Innovation Award 2017", after which Lexmark rolled out the programme to other products and geographies.



*"This project was successful thanks to the efforts of our talented cross-functional global team and valued partners – all focused on a common goal to optimize our inbound supply chain and improve customer delivery and experience."*

Brad Fruth, Project Sponsor and Lexmark Worldwide Compliance Manager with 17 years in the Lexmark supply chain organisation, and a total of 30 years of logistics & supply chain experience.