SAME-DAY PARTS DELIVERIES TO AUTOMOTIVE SERVICE CENTERS

Following a policy reform in the European Union, independent motor traders and service groups were granted better and fairer access to technical information, training, repair shop equipment and original spare parts. Consequently, as market competition increased, the aftermarket operations of automotive manufacturers faced increasing pressure. To overcome new market threats, one of the world’s most successful manufacturers of premium passenger cars transformed their aftermarket logistics platform to improve service, enhance retention and increase part sales.

CUSTOMER CHALLENGE

With a distribution model configured around a single warehouse, the automotive manufacturer’s service centers received only one parts delivery each working day. Automotive parts were held in a centrally located warehouse where orders were taken until 18:00 each day for them to be delivered to service centers by 8:00 the following day. Because of this, whenever an additional problem was diagnosed in the service center, the end-customer had to make a return visit or the service center would hold the vehicle for an additional day for the required parts to arrive. Both scenarios, however, did not fulfill the levels of satisfaction demanded by its end-customers.

In a bid to resolve this, the manufacturer redesigned its aftermarket logistics operations, developing a network of strategic local distribution centers that provided same-day parts deliveries. Needing a trusted partner to operate one of the newly created local distribution centers, the manufacturer duly turned to DHL Supply Chain for support.

DHL Supply Chain Solution

- Collaborative warehousing at an existing site that had spare storage and labor capacity
- Reconfigured warehouse to fit automotive operations
- A multi-skilled and flexible workforce to accommodate peaks of activity

Customer Challenge

- Increased market competition
- Poor end-customer satisfaction
- Redesigning aftermarket logistics model

Customer Benefits

- 100% service level
- Decrease in end-customer return visits and amount of inventory held at service centers
- Increased parts sales
- Support for replicating the innovative aftermarket logistics model across key geographies

Deutsche Post DHL – The Mail & Logistics Group
DHL SUPPLY CHAIN SOLUTION

Working in partnership with the manufacturer, DHL Supply Chain drew up a sustainable logistics solution that enabled 18 service centers across the Scotland and Northern England to receive three additional part deliveries each day.

Due to the widespread geographical coverage of service centers across the region, location was of primary importance. DHL Supply Chain had an established warehouse operation in central Scotland which was ideally positioned and had available storage capacity to accommodate the strategic stockholding requirements. The warehouse was re-configured and 16,500 sq ft allocated to store the automotive parts. An optimized solution was also devised for receipt, putaway, pick and dispatch.

With the warehouse operation responsible for fulfilling three daily order runs each day, three short peaks of activity occurred that aligned to the cut-off times for dealer dispatches. Activity spikes of this kind meant a dedicated team of full-time employees would not provide a cost-effective solution due to the periods of downtime between the highs of activity. A decision to create a multi-skilled workforce was made, enabling the automotive operation to draw on labor support from the existing operation whenever it was required. Selected employees underwent training and learnt about the manufacturer’s processes and procedures for safely and accurately picking orders and preparing for distribution.

The outbound transport element into the dealerships was awarded to a different third party logistics provider following a competitive tender.

CUSTOMER BENEFITS

Delivering results from the outset is one of DHL Supply Chain’s key objectives on all contracts, and the automotive parts operation in Scotland was no different. The three-year contract went live in September 2010 and, after the first month of operations, performance indicators demonstrated the success of the start-up. The operation handled 2,035 inbound lines and made 530 dispatches to dealers, which translated into a 100% service level.

Since establishing the local distribution, there has not only been a decrease in the number of return visits end-customers require but also in the amount of inventory held at service centers. In addition, overall parts sales have increased.

After 18 months, the manufacturer recognized DHL Supply Chain’s outstanding achievements and awarded the contract “gold” status for service performance and greatly exceeding the inventory accuracy targets set.

DHL Supply Chain is currently working with the premium car manufacturer to roll out and replicate the innovative after-market logistics model in key geographies around the globe. Underpinned by a culture of continuous improvement, DHL Supply Chain aims to drive efficiency improvements by sharing successful ideas across all operations – a testament to how its size and scale can be leveraged to deliver excellence worldwide.

For further information

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