When one of the world’s leading car manufacturers needed a way to radically upgrade its spare parts distribution model, it called on DHL Supply Chain’s proven expertise. The innovative shared-user local distribution solution (currently rolled out across 11 regions) enables the business to make up to four deliveries a day to its service and repair centers, resulting in higher levels of aftersales customer service and increased sales of spare parts.

**CUSTOMER CHALLENGE**

Increased competition from independent motor traders and service groups over recent years has prompted many car manufacturers to explore new ways of operating their aftersales business, with a focus on improving customer service levels and increasing their share of the lucrative aftersales and spare parts market.

Historically, this major car manufacturer had operated a model in which service centers received just one spare parts delivery per day on an overnight next day basis. This was impacting service levels by forcing customers to return to the center to complete repairs or leave their vehicle overnight. Also, not being able to fit parts on the day of the service or repair meant customers would seek out alternative independent suppliers, with a subsequent impact on the sale of spare parts.

**Customer Challenge**

- Upgrade spare parts distribution model from overnight next day to up to four deliveries a day
- Need for local distribution warehouse locations with good proximity to service centers
- Cost effective and flexible warehousing solution needed to handle bursts of activity

**DHL Supply Chain Solution**

- Warehouse collaboration to provide local, shared-use distribution
- Optimal site location using route planning and design expertise
- Cross-training of existing staff to handle bursts of activity
- Flexible warehouse team providing receipt, put away, pick and despatch

**Customer Benefits**

- Improved aftersales customer service levels
- Increased sales of high margin spare parts
- Reduced inventory costs at service centers
- Higher volume of service and repair work
To reverse this trend and improve its overall aftersales operations the company developed a radical new strategy that would use local spare parts distribution to supply clusters of 20 to 30 service centers with up to four deliveries per day. This new approach was put out to tender and DHL Supply Chain were selected based on their innovative proposal, the location of its warehousing facilities and proven automotive experience.

**DHL SUPPLY CHAIN SOLUTION**

Key to the DHL Supply Chain solution was the use of shared-user warehousing facilities. Collaborating with larger clients of the site and cross-training DHL Supply Chain staff enabled the short bursts of activity required for four spare parts despatches a day to be run in a cost-effective way.

In addition, the spread of existing DHL Supply Chain distribution centers in any given country or region enabled the optimum location for local spare parts delivery to a cluster of service centers. The locations were chosen using DHL Supply Chain’s extensive route planning and design expertise using a milk run round trip to minimise transportation mileage.

To facilitate shared-use DHL Supply Chain worked closely with the manufacturer to ensure selected members of the existing warehouse team were comprehensively trained on the new operational requirements. This benefitted both clients in the collaboration by creating a multi-skilled workforce that could be drawn in to meet fluctuations in demand, including the bursts of activity required to despatch spare parts up to four times a day. DHL Supply Chain reconfigured part of the warehouse to provide a flexible solution that included receipt, put away, pick and despatch.

Making up to four deliveries a day would also mean that dealers and service centers would no longer need to stock costly spare parts locally, freeing up both resource and space.

To ensure a smooth start-up, DHL Supply Chain used its proven DePict® project management methodology to clearly define roles, responsibilities and actions, and track them to completion.

Following the success of the first deployment DHL Supply Chain was chosen by this leading car manufacturer to develop and operate shared-user local parts distribution in 10 other regions across Europe and the United States. Each subsequent project has been competitively tendered.

**CUSTOMER BENEFITS**

Partnering with DHL Supply Chain has enabled this leading car manufacturer to radically transform the way it operates its aftersales and spare parts business. This has not only led to improved customer service levels and increased sales of high margin spare parts but also several knock-on benefits for its authorised service centers.

Eliminating the need to carry spare parts inventory has enabled dealers and service centers to reduce stocking and obsolescence costs and free up space for increased servicing and repair work. In addition, completing more jobs in a given day has led to an increase in the overall volume of servicing and repair. Finally, margins have also improved by, for example, reducing the need for overnight and longer term courtesy car use by customers.

Building on the success of this flexible and responsive local approach to spare parts distribution is also enabling the business to explore ways of further increasing its market share by providing a cost effective route for supplying spare parts to independent traders and repair shops.

“We selected DHL Supply Chain because of its innovative proposal of cost effective shared-user local spare parts distribution, and because of it was able to provide us with the optimum locations relative to our service centers. These things together enabled us to move from overnight next day deliveries to up to four despatches a day – which is central to our strategy to improve customer service and increase the sales of spare parts.”

**For further information**

Contact our experts:
supplychain@dhl.com
www.dhl.com/supplychain