

Case Study: High-Tech

Lexmark gets new perspective and competitive advantage by focusing sharply on supply chain

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 efficiency improvements and opportunities for customer service enhancements.

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 since Lexmark has Corporate Partner status with Kuehne+Nagel, we proposed a joint review of Lexmark's finished goods and spare parts supply chains from China to EMEA, Oceania, and South America.



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Background

The project was sponsored by Senior VP/Chief Supply Chain Officer Tonya Jackson of Lexmark Worldwide Supply Chain Operations (WSCO) and Thorsten Meincke, Kuehne+Nagel's Senior VP Sea Logistics and conducted via Supply Chain Design.

The workshops and whiteboard sessions conducted for the review used techniques like "gemba" learning, process owner problem solving, and in-house design methodologies.

Challenges

The joint review revealed a number of areas for possible improvement, including:

- Suboptimal use of containers
- Separate management of spare parts and finished products logistics flows
- Mix of Incoterms and VMI/non-VMI flows
- Potential difficulty in efficiently serving smaller/emerging markets
- Need to support a smaller order strategy without inflating transport costs
- Lead time buffers
- ASN performance subjective measurement

"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

Solution

The new measures were divided into three main components – people, process, and technology.



People: Both the businesses promoted a strong project leadership team with a focus on positive collaboration. The business also provided end-to-end supply chain support from regional key account organization in both Honk Kong and Belgium.



Process: Introduced dynamic, order-driven transport planning, and a strong Vendor Management and Buyer Consolidation programme, which included onboarding the vendors and reviewing cost-saving benefits. Business intelligence and KPI dashboard were created to track improvements and the SOP was revised to focus on export processes.



Technology: Lexmark was provided access to KN Login, a solution that gave all-round visibility of shipments and an active control platform. Furthermore, Advanced Shipment Notice (ASN) was introduced in the form of an EDI message to provide all the details about the shipment.

Results

Targets were exceeded: transport cost savings went up 17% (over the original target), largely due to the increase of containers fill rate (from 57% to 69%) and drastic reduction in the use of 20' containers and LCL. Meanwhile, Cycle times were reduced by 3 days, and cargo integrity maintained.

Lexmark was also able to decrease dock congestion and lower CO2 footprint by reducing the number of containers being used by 13%. They were also better able to serve smaller geographies and orders as a result of all the changes.

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