



Leveraging Internet to Create Logistics Virtual Network for Critical-Parts Distribution

Solution shifts focus from moving parts to moving information

SITUATION

After-sale service is becoming increasingly important for competitive advantage in the marketplace. Technology companies must meet aggressive service levels for parts delivery, while reducing parts inventories. To sustain its leadership in service logistics, Sun Microsystems' Enterprise Services Americas sought to leverage information technology to streamline the parts replenishment process.

Before the model was implemented, two central distribution centers (DCs) served as consolidation points to capture information and reconcile inventory. But new Internet-based applications had the potential to all but eliminate the strategic role of the DCs, putting the focus on moving information, not parts.

SOLUTION

Create the Logistics Virtual Network

Sun worked with Kuehne + Nagel to implement a new Sun business model that leveraged information systems and the Internet to link supply chain partners. (NOTE: the contract originated with Kuehne + Nagel subsidiary, USCO Logistics). With Sun's direction and support, Kuehne + Nagel created a Web interface, which transmits a variety of order, delivery and inventory transactions from remote stocking locations and repair vendors to a database at Kuehne + Nagel. The solution enabled the creation of a Logistics Virtual Network in which more than 50 "best-in-class" partners – manufacturers, repair vendors, delivery companies and logistics service providers – collaborate to deliver one seamless solution for Sun's customers.

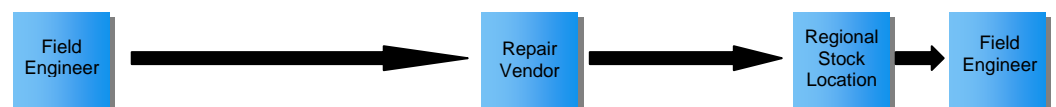
Interfaces between the Web database and Kuehne + Nagel and Sun systems were written and tested to support accurate data transfer and usage. With interfaces in place, users could view inventory in real-time.

The original code name for the new model was "2+2=2." The first "2" represents the two days to ship a defective part from a field engineer (FE) to a repair vendor (RV). The second "2" represents the two days to ship a repaired part from an RV to a regional stocking location. Because these inbound and outbound shipments now happen at the same time, 2+2 equals a two-day cycle to replenish a part, effectively eliminating days from the replenishment process.

With Technology Limitations



Without Technology Limitations (The Logistics Virtual Network)



RESULTS

The Logistics Virtual Network has delivered the following for Sun:

1. **Enhanced customer service** – Up-to-the-minute information on inventory via the web gives planners the information needed to put the right part in the right place at the right time.
2. **Reduced inventory** – Parts move faster through the pipeline, thereby reducing total parts required.
3. **Reduced cycle time** – Because information now moves with the part, unnecessary touch points are eliminated.
4. **Increased supply chain efficiency** – Sun's logistics partners now share information and collaborate in real time to improve service to Sun and its customers.

According to a Sun management representative who headed the initiative, "The Logistics Virtual Network for service parts management shifts the focus from moving parts to moving information, using the Internet as a key enabler."

"Our solution enables Sun to increase parts availability and customer satisfaction, while aggressively managing inventory levels and profitability," he says. "It provides Sun customers and shareholders a truly world-class service solution."

