

Using Logistics to Gain Competitive Advantage



Parallels between Industry & Expeditionary Warfare

NDIA Expeditionary Warfare Conference

26 October 2005

Overview

Although the examples aren't perfect, there are several striking similarities between the characteristics of expeditionary warfare and the battle for market share within industrial and consumer markets...

Similarities include...

- **Availability (A_o)** is critical to the military and to many industrial firms – a requirement to support the customer
- Resources are constrained, so **effectiveness** and **efficiency** have to be balanced
- “Silos” lead to **suboptimization**...E2E process design required
- **Change agents** can be critical to achieving success

Characteristics of Expeditionary Warfare

Agility

Versatility

Flexibility

Responsiveness

Forcible-entry capability

Sustainability

**Source: Expeditionary Warfare – www.exwar.org*

Agility

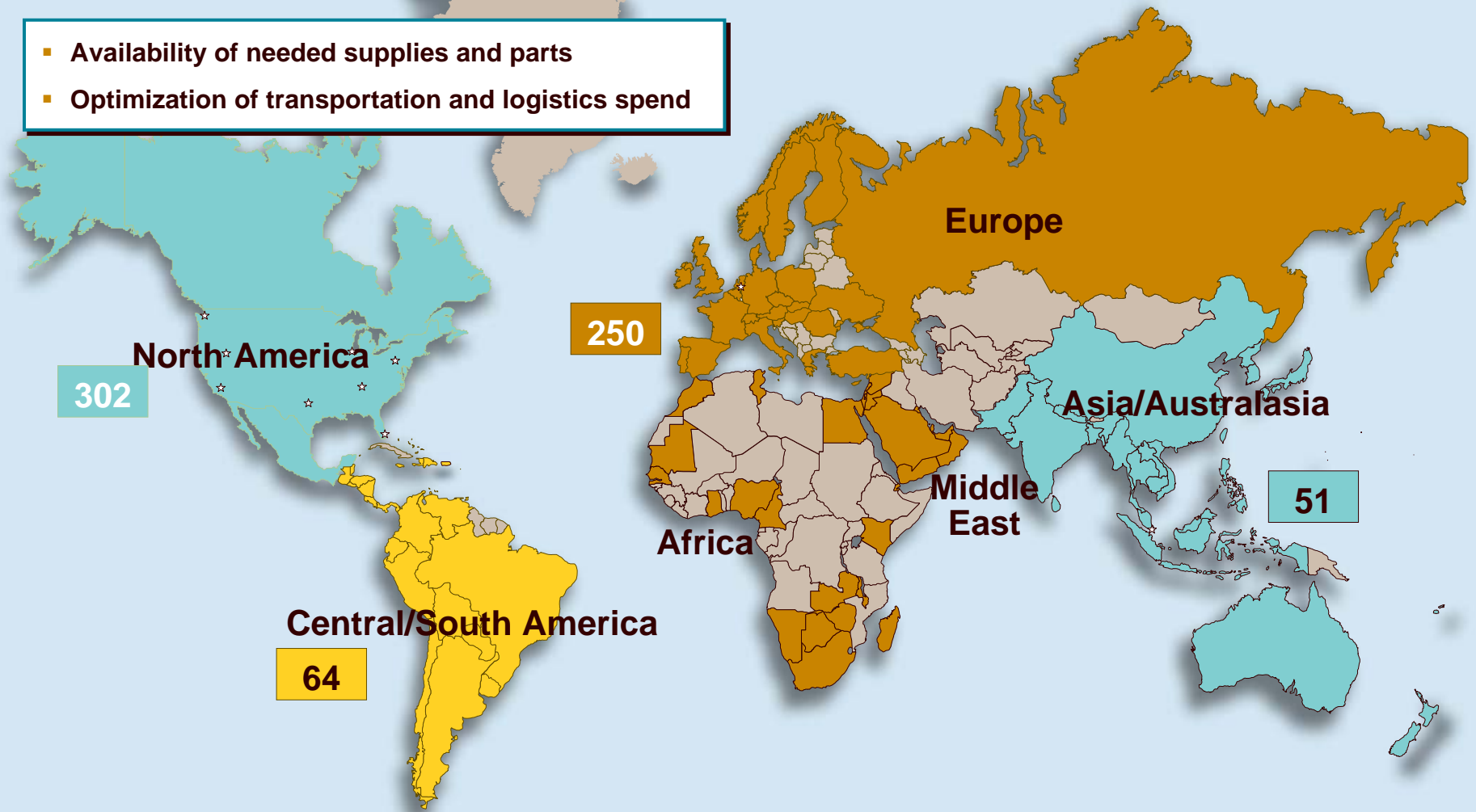
**Worldwide
responsiveness;
ability to rapidly
deploy (in any
environment)**



Agility

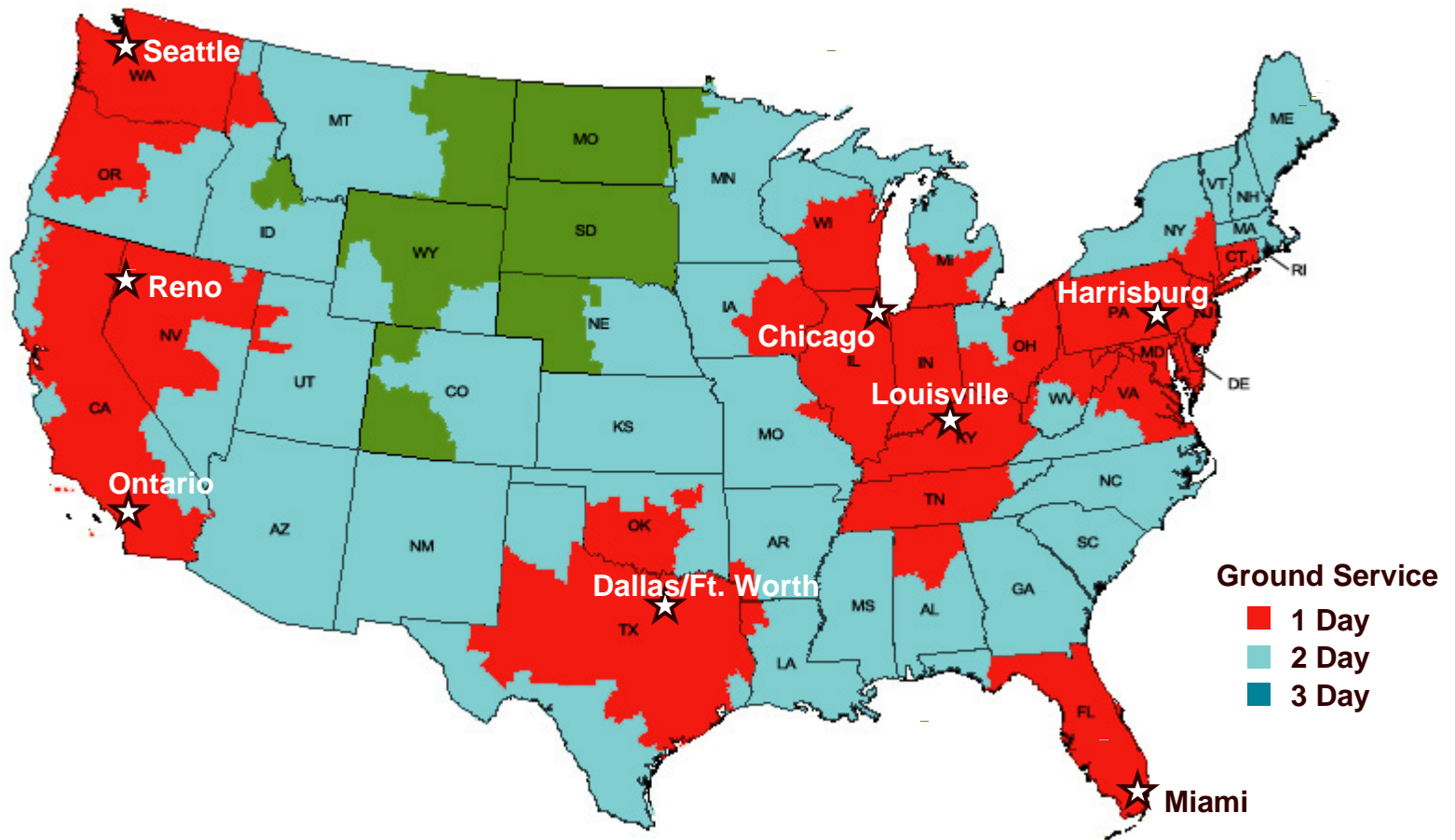
Customers leverage global footprint of 3PLs to gain access to new markets without huge capital investments.

- Availability of needed supplies and parts
- Optimization of transportation and logistics spend



Agility

An integrated network allows customers large and small to “look big” while remaining agile.

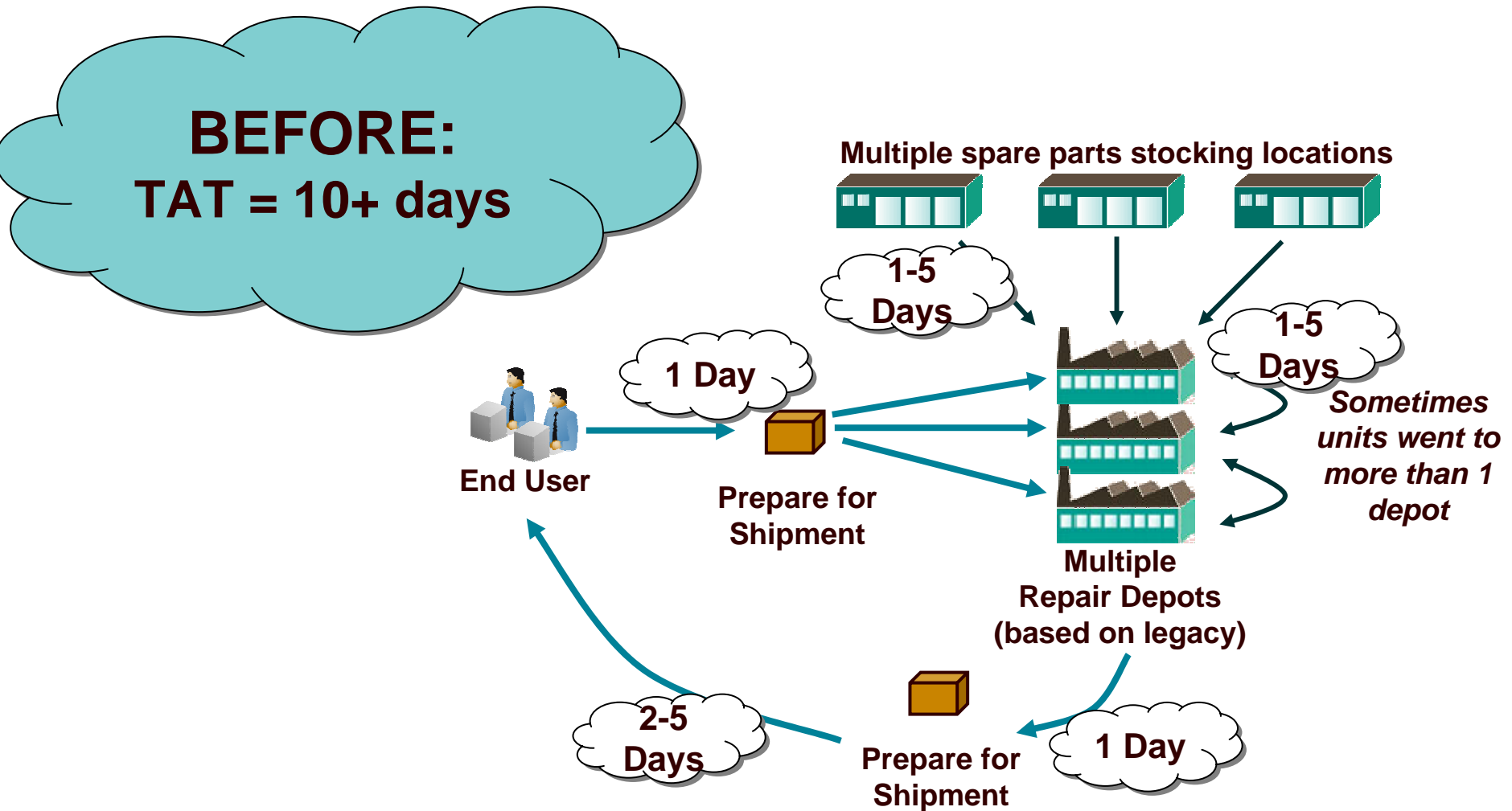


Versatility

**Ability to undertake
a variety of
missions across the
spectrum of
operations**



A sign of versatility is the ability to move in reverse, as well as forward...



Toshiba's Reverse Logistics Cycle



Toshiba Results

- **Improved integration of pick up and drop off points** by adding 3000+ UPS Store locations
- Improved repair quality - **lowered repeat repair incidents by 41%**
- Faster repair speed - **next business day TAT improved by 17%**
- Improved customer satisfaction - **statistical shift in “delighted” customers**
- Root cause analysis - **improved quality** data feedback design teams
- **Multi-million dollar annual inventory savings**
- Reduced TAT by 2-5 days (or more)
- **Recovery of warranty costs**
- Consolidated authorized service provider network to **optimize inventory and transportation**



Versatility

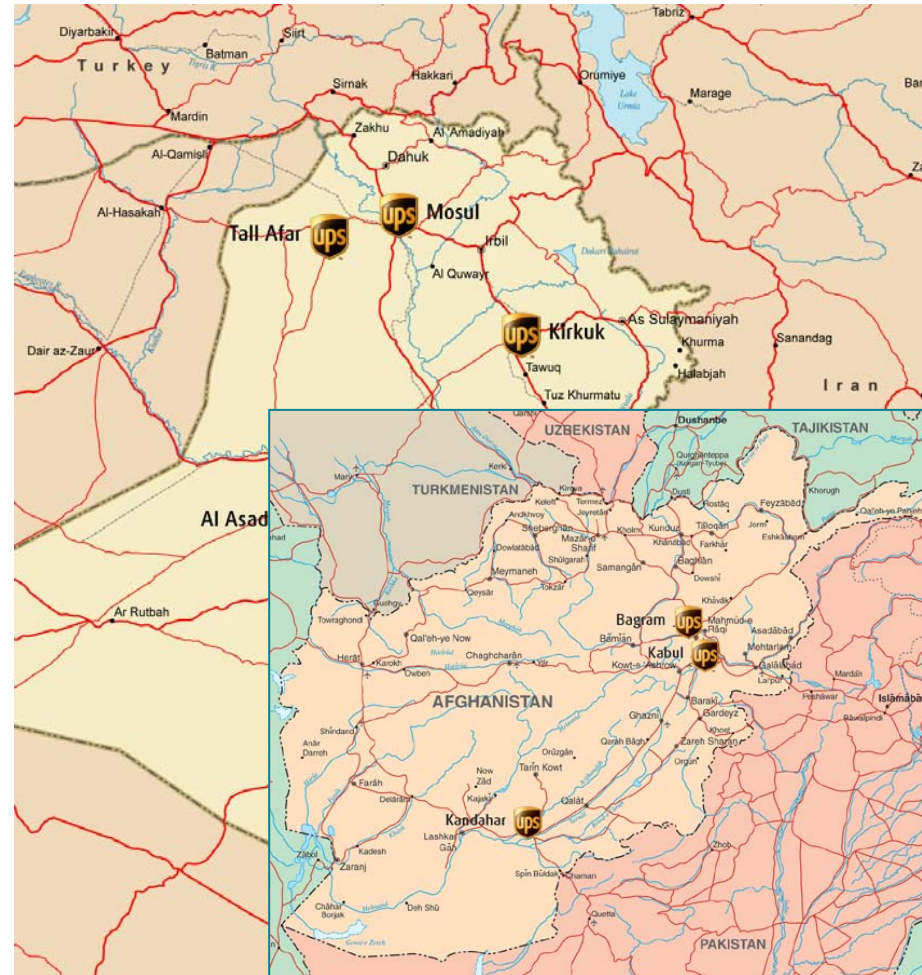
Conditions do not allow for “business as usual” support of customers within Iraq and Afghanistan...

Problems

- No existing footprint
- Ground transportation subject to theft and violence

Solution

- Established an air network to deliver five days / week to key bases (from UAE)



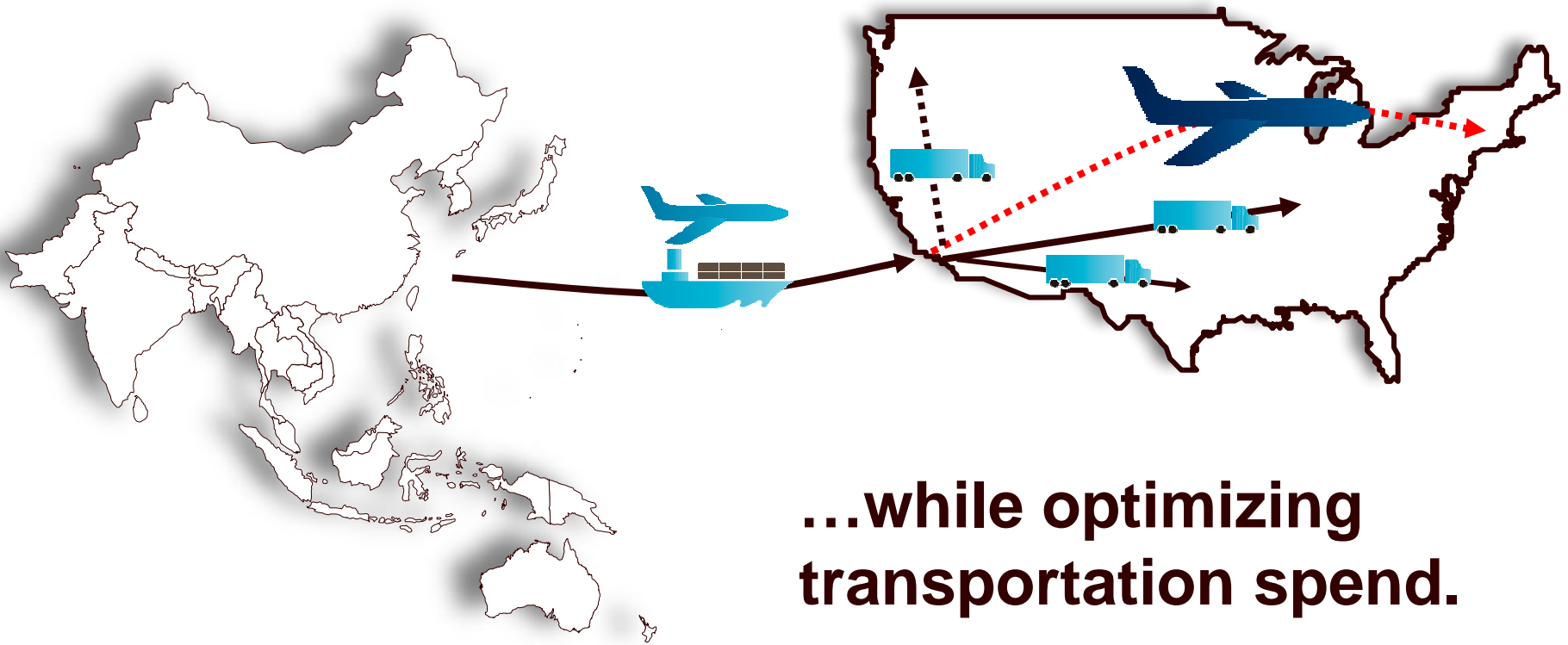
Flexibility

Ability to shift focus rapidly from one mission to an entirely different one, without having to return to bases for refitting or retraining



Flexibility

Integrated, yet flexible supply chains allow businesses to match supply and demand through postponement strategies...



...while optimizing transportation spend.

Flexibility

UPS Trade Direct Process Flow

A complete, integrated, multi-modal solution



Freight and individual packages are picked up and consolidated

Consolidated shipment crosses the border in a single customs clearance

Freight moves via LTL
Packages enter UPS package delivery network

Package and LTL shipments are delivered direct to multiple retail stores and/or end customers

Responsiveness

Forward deployed (or rapidly deployable), enabling swift response with sustainable power



Responsiveness

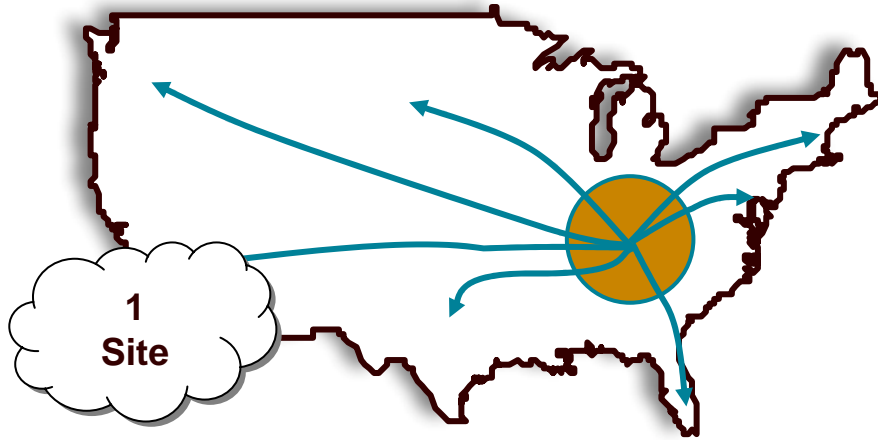
Service levels (A_0 requirements) dictate “just in case” inventory requirements...

Network can be continuously rebalanced and aligned based upon historical trends, actual consumption, “op tempo”, etc.

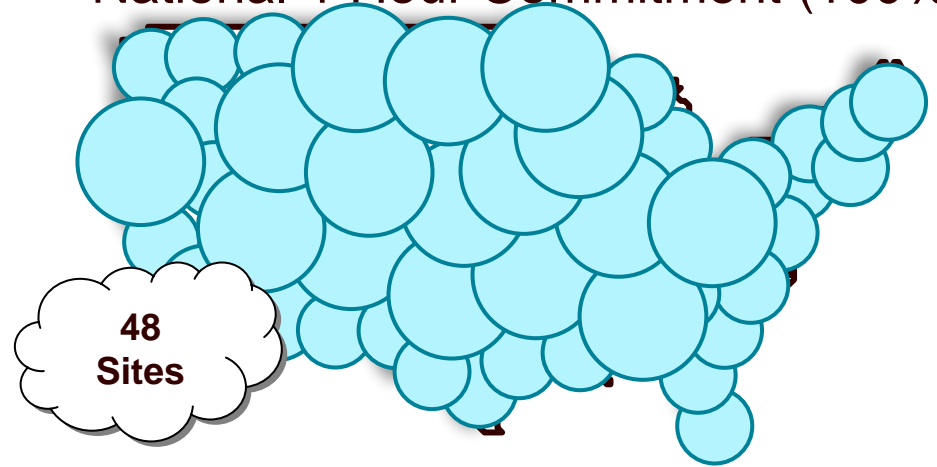


Customer commitments dictate response level...

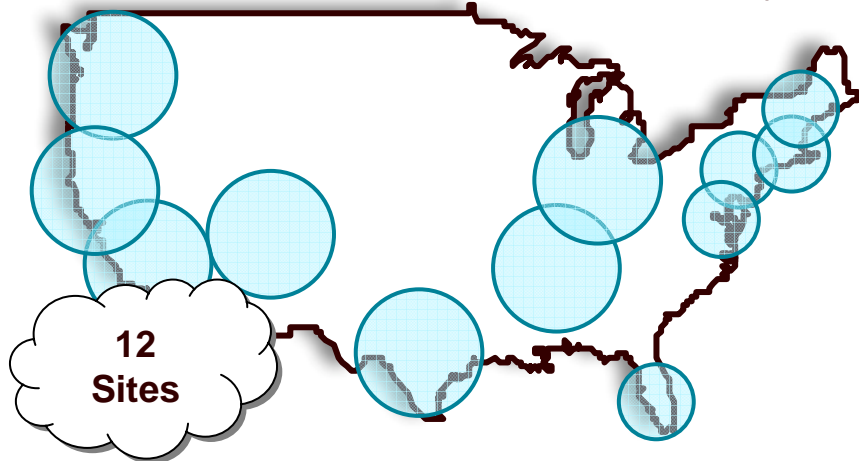
National Next Day Commitment



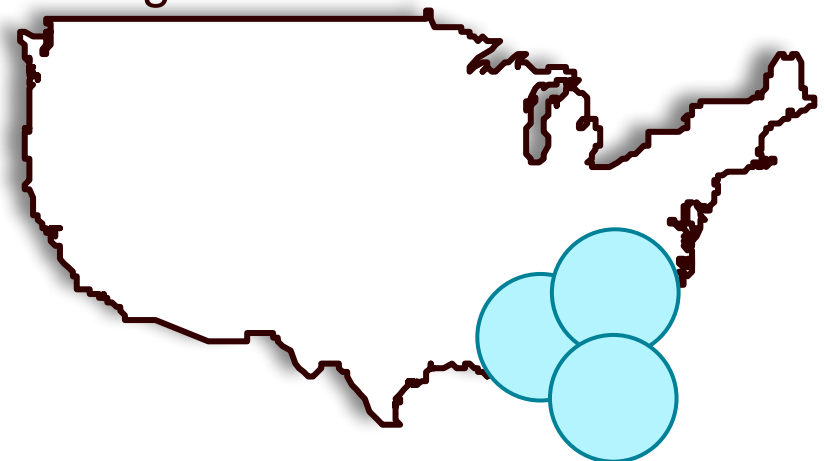
National 4-Hour Commitment (100%)



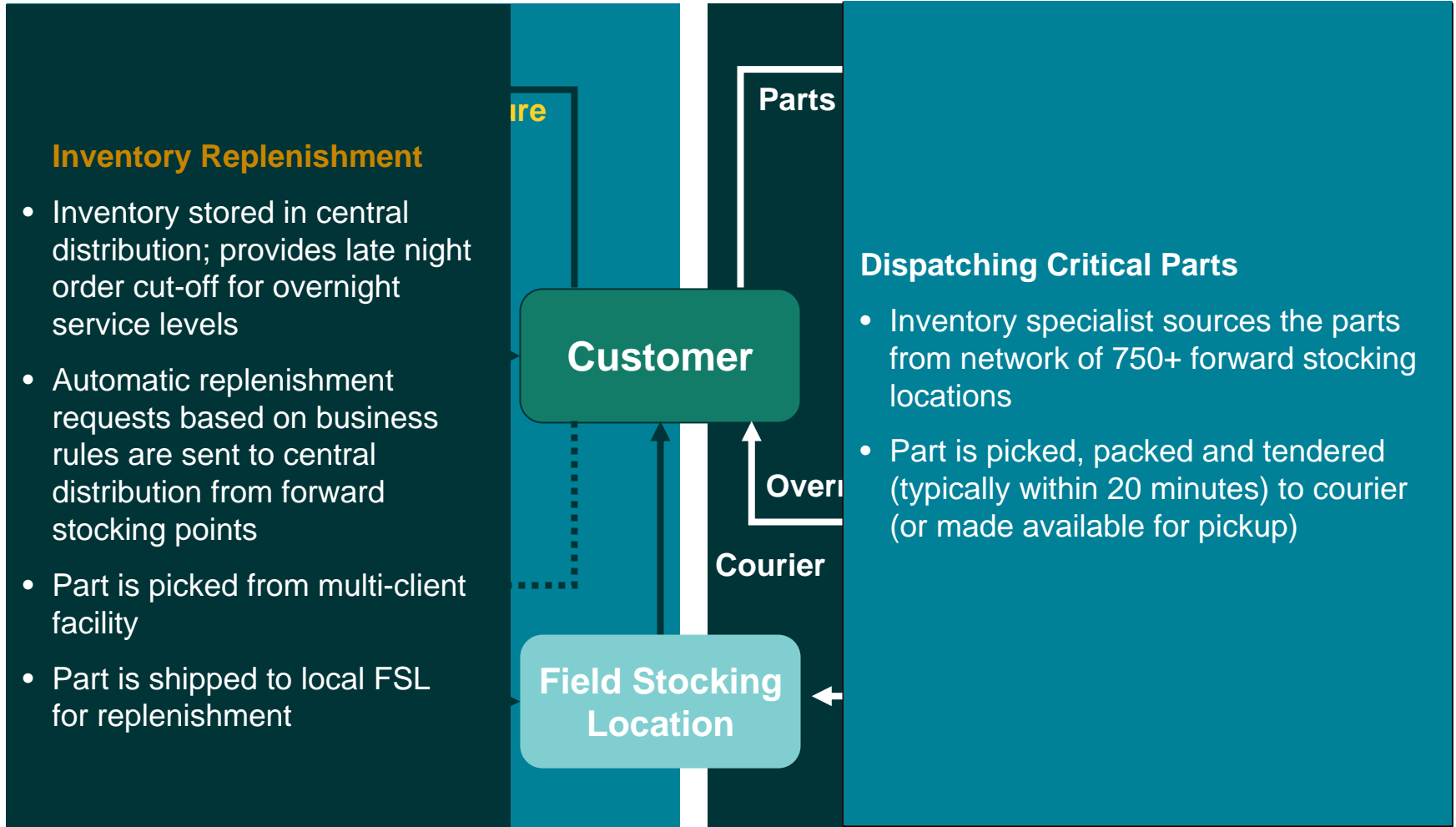
National 4-Hour Commitment (80%)



Regional 4-Hour Commitment



Responsiveness in the Service Parts Logistics Supply Chain



Forcible-Entry Capability

Possessing credible “come-as-you-are” striking power, forces can identify, overcome, and defeat an adversary’s access-denial defenses and strategy.



Meeting market demand with value-added services...

Kitting, configuration, and customization

Configurable labels and pack slips

RFID compliance

Refurbishment

Repair and end-of-life services



Sustainability

Ability to continue operations indefinitely (in an austere environment, without host-nation support and without reliance upon pre-existing infrastructure)



Sustainability

Performance Based Logistics

PBL contracts can ensure availability over time, by aligning the goals of all the parties concerned...

Example: Phalanx CIWS program was one of the first uses of PBL and commercial shipping to support a critical defense system – has been in place since 2000

- UPS Louisville receives carcasses from Navy
- Carcasses routed to OEM or repair vendor via UPS (90%) or LTL and returned to stock after repair
- Phase 1: US domestic; Phase 2: Includes international
- Visibility and exception notification provided through Event Tracker / Web Tracker

60 month contract M-F operation (8a-5p) + after-hours service 28,000 ft² storage Volume: ~20 units/day	<u>Initial Inventory</u> 21,981 total parts 16,400 ready to use parts 5,581 parts needing repair
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Thank You



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