

ELECTRONICS

TECHNOLOGY'S CUTTING EDGE



Unipart Technology Logistics started ten years ago with a contract from computer company Hewlett-Packard to support engineers in the UK with a delivery service. MAURICE DAW, managing director of the company, looks at the key trends affecting high technology businesses in the UK

High technology is an unforgiving sector in which the ability to deliver products a few hours ahead of the competition is often the difference between success and failure. When Vodafone launched its Vodafone Live! 3G service, company executives went on breakfast television to talk about the product while handsets were still on their way to retailers in the UK. It was a classic case of a just-in-time approach that is typical of the industry.

First and foremost companies like Vodafone want bespoke solutions rather than the standard third party logistics offering that everyone else has. They want things done quickly and in their own way.

Everyone has very specific requirements. For example, Apple adopted a global strategy for the production of iPod sets with manufacturing centered in China, orchestrated from Sacramento in the US by a SAP R/3 enterprise resource planning system.

However, when it came to managing returns in the UK, the company had to develop custom built processes because the UK market requires unique processes due to the channel structure.

Control and precision

All technology customers are different. Their processes are certainly not at all like those of other high volume retail enterprises. There is a requirement for immense amounts of control and precision.

IT systems need to be sophisticated because they must operate at piece part accuracy. Items must very often be tracked by their serial number through inbound and outbound movements and later through reverse logistics and repair processes, if need be. Individual parts in high technology manufacturing are often in scarce supply, so it is important to know where they are.

Making do with a standard warehouse management system is no longer acceptable. Systems that handle inventories of high value technology goods must be capable of working with serial number tracking at item level and require considerable bespoke to meet customer needs.

Systems are required to provide constant performance updates. They must give managers

feedback on order accuracy, the availability of an item, the pick accuracy, when goods are dispatched and how well third party carriers do.

Integration is high up the agenda of high tech companies as they come to grips with the need to handle returns, repairs and the environmental disposal of waste products as efficiently as the delivery of products from the factory.

Traditionally forward and reverse logistics have been done as separate activities, but now the trend is towards joining them together so that they form a single, seamless process.

High technology companies increasingly recognise that flexibility is an essential element in their supply chain strategies. Products have extremely short lifecycles, sometimes only a few months, and there are huge seasonal shifts in demand which put immense strain on distribution operations.

Christmas remains a very important time of year for most players. Fujitsu, for example, is a leader in the UK market for electronic point of sale systems. The holiday season sees an upswing in activity in the retail and hospitality sectors, so the maintenance support processes must be able to cope with this.

These leaps in demand can only be accommodated cost effectively by operations that keep fixed costs to a minimum. They must be flexible enough to handle a range of changing products with as few adaptations or interruptions as possible.

Coping with huge swings in demand is not just a matter of hiring extra staff. It calls for strenuous efforts to forecast when peaks are going to happen. Hourly, fingertip control that keeps decision makers right in the moment is vital. The introduction of broadband data services last year by BSkyB called for a distribution system that could go from nought to handling huge volumes in a very short time period.

New product introductions are the life blood of this sector and, as Vodafone's Live! launch illustrates, getting them right is fundamental. Lead times range from two or three weeks to twelve weeks at most. Being able to react very quickly once a decision has been taken is a key requirement.

So is confidentiality. Nothing can wreck a well planned launch more effectively than letting the competition get wind of it. Prudent companies ensure that their plans are protected by watertight confidentiality agreements.

Routes to market

Logistics operations must not only be capable of rolling out rafts of new products, they must increasingly cater for a variety of routes to market. The rise of internet shopping and mobile applications have placed fresh demands on the supply chain.

Take the process of getting parts and tools to engineers. These days that can involve delivering to many possible locations: an office, a customer's premises, someone's home, a locker box or even directly to the boot of the engineer's car. It is very important to understand the different disciplines involved in getting items to an engineer.

Over the last five or six years engineer support has become much more sophisticated. Companies used to hold stock in field stores close to customers. But this required additional investment in buildings and people. Now the pendulum has moved the other way back to centrally held stocks.

This is only possible with really good IT systems that enable parts to be picked as quickly

as possible. Some companies insist that there is a delay at the warehouse of no more than 30 minutes between requesting an item and being told it is on its way.

The growing number of sales channels has spurred the development of new distribution services such as electronic proof of delivery, as well as improved procedures for swapping products that are faulty. The European Union's WEEE

regulations on environmental waste disposal have already spurred improvements in reverse logistics. Most of the big technology companies are reputable distributors who already have their systems in place.

Not surprisingly in an industry dealing with small, high value products, security remains a bugbear. However, collaboration on tightening security measures for goods in transit have paid dividends.

Effective logistics is critical to companies engaged in a constant struggle to innovate. Not surprisingly, the market leaders in this business are those with the most flexible supply chains.

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