



Smart logistics for better after-sales services

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With the growing complexity of industrial machinery, customer expectations for after-sales service are rising.

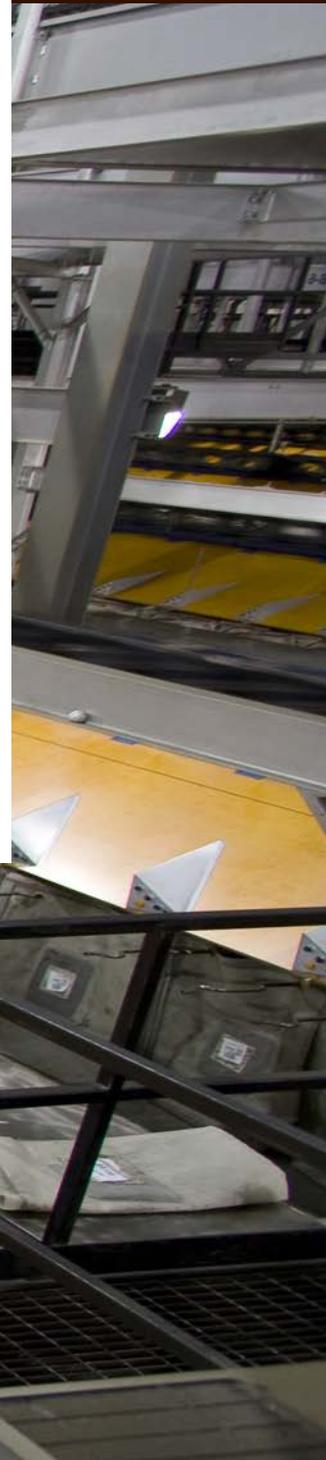


¹ Industrial Buying Dynamics study 2015 UPS Europe

² Industrial Machinery Manufacturing: Trends, Insights and Opportunities UPS 2015

³ Europe: Having Engineering Skills, Will Travel 2015

According to a recent UPS study of the industrial manufacturing sector, 78% of industrial product buyers in Europe state their expectation for on-site after-sales services¹. Other studies of international companies in the same industry have shown that only 12% of industrial manufacturers and distributors treat after-sales as a top differentiator for their business². This results in management practices that lack coordination, and require technicians to spend more time on the road collecting and shipping parts than they spend with customers providing after-sales service. A lack of focus on running an efficient after-sales program is also costly, as it can lead to high inventory levels and increased human capital at a time when many countries see a significant shortfall in mechanical and electrical engineers³. However, there are alternative models, which enable companies to provide after-sales, on-site services more efficiently, including convenient solutions for shipping replacement parts to field technicians and for managing returns - generating significant gains in efficiency and improving the bottom line.



For both industrial manufacturers and distributors, one of the greatest limiters to growing sales is the longevity of the products themselves.

According to a study of trends and opportunities with US-based international companies in the manufacturing sector, 61% of machines and equipment sold boast a lifespan of 10-19 years, with another 18% enduring 20-29 years⁴. While this puts an obvious limitation on sales, it also creates a significant opportunity: providing after-sales service over the long life-cycle of modern machinery. This strategy is particularly timely

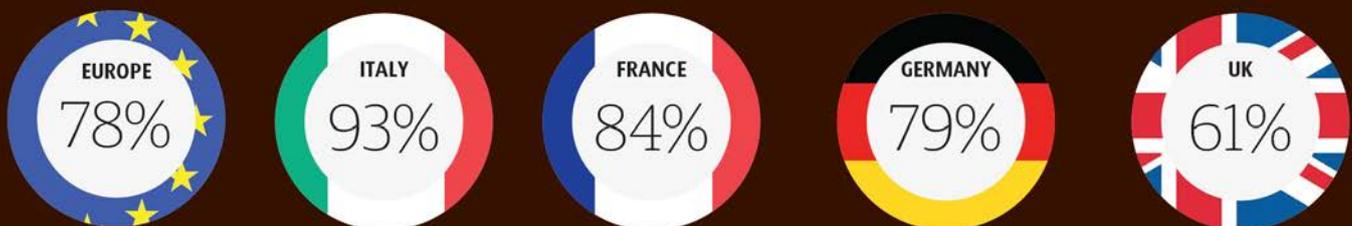
given rising customer expectations for after-sales service, raising the prospect of making it a profit centre and point of differentiation for industrial manufacturers and distributors.

Clearly, the pressure is on for industrial manufacturers and distributors. Recognising the trend, a growing number of companies are beginning to view after-sales service as a key brand differentiator and strategic

line of business⁵. Given the growing complexity of industrial machinery, it's a sensible strategy - but one that also brings with it serious challenges.

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Do you expect your distributor to provide on-site post-sales service (repairs, tech support, etc.)?

⁴ Industrial Machinery Manufacturing: Trends, Insights and Opportunities UPS 2015

⁵ The Rise of Product-as-a-Service in Manufacturing and Some of the Technology Impacts, 2014

Inefficiencies quickly add up.

Field technicians often need to drive considerable distances to regional warehouses to collect and return parts. This, in many instances, leads to burdensome administrative processes and lack of coordination, which makes it difficult for business owners and logistics managers to accurately assess the true costs of their after-sales services program, let alone realise savings. There are many unquantified, invisible costs – like driving time to and from field service locations and time spent by field technicians waiting for parts to arrive at home or customers' premises.

For example, consider a company with 50 field technicians, each one collecting spare parts for their scheduled repairs twice weekly from a warehouse within 30 minutes of their home or office. This is fairly typical within the industry, and will require as much as 1 hour of driving per week simply to collect parts for planned maintenance. This doesn't account for the time spent driving to and from customers, nor for time spent returning parts for emergency repairs. Company-wide, this could add up to 2,500 hours of driving per year. In addition to lost time, there are also automobile, fuel and insurance expenses to consider. For larger companies that rely on multiple

warehouses, there are still further costs, including the expense of staffing and maintaining sufficient inventory. The impact on cash flow and overall profitability can be immense.

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Taking a new approach.

Recognising a significant need for improvement within the sector, UPS offers field technicians the opportunity to collect parts and manage their return by utilising the UPS Access Point™ network. Featuring more than 15,000 points located at local newsagents, petrol stations or other small businesses across 9 European countries and over 7,500 points in North America, UPS Access Point locations can typically be found within a short driving distance of a field engineer's home or customer location, making it easy to collect or drop off parcels with minimal time lost. Replacement parts can be shipped Monday to Friday from all over Europe at speed to any UPS Access Point location, making it possible for a

technician to collect a part as early as 9.00AM⁶ the next working day.

Furthermore, field technicians have the opportunity to drop off parts that need to go back to manufacturing while UPS visibility systems keep track of outgoing and incoming shipments. Technicians can also sign up to UPS My Choice®, which allows them to receive proactive delivery alerts via SMS or email, reschedule the delivery date, or reroute parcels to another location. If needed, technicians can also use the UPS Access Point network to send critical parts directly to another technician in a different area for further improvement in response times. In addition to the UPS Access Point network, UPS also maintains hundreds of state-of-the-art

warehouses and field stocking locations, where inventory can be stored and parcels dropped off, collected and dispatched. Logistics managers in charge of servicing and repair have full visibility on stock levels and shipment status making it easy to supervise regional servicing programs.

For industrial manufacturers and distributors looking to exploit the untapped potential of the after-sales market, this solution provides an efficient, scalable platform on which to build a profitable servicing program.

Benefits of using UPS Access Point™ locations and UPS My Choice®:



1 Reduction of driving time to and from warehouses/depots



2 Less waiting time retrieving parts at customer premises



3 Quicker return of products needing servicing or repair



4 Improved inventory management and supply chain visibility



5 Ability to plan for deliveries when and where convenient

⁶ Depending on shop opening hours

Shipping spare parts to the UPS Access Point network in close proximity to a field technician's home or the actual repair location can yield substantial economic improvements for industrial manufacturers and distributors. It allows field technicians to spend more time with customers and less time on the road. It can help reduce inventory and in some cases also allow for the consolidation of warehouses – leading to significant cost savings. Beyond these immediate gains, it provides an opportunity for making after-sales servicing a more significant part of a company's business. According to IDC, some manufacturers are generating up to 50% of their profits from after-sales sources⁷. Maintaining an efficient,

“An efficient, streamlined servicing and after-sales program can provide a significant boost to the bottom line.”

streamlined servicing and after-sales program can ultimately provide a significant boost to the bottom line.

Finally, but no less significantly, a streamlined logistics program translates into reduced fuel consumption, lower carbon emissions, and improved sustainability scores. For any company concerned with corporate responsibility

and long-term sustainability, that alone can be reward enough.

About the author: Jean-François Mathieu is the marketing manager for the Industrial Manufacturing & Automotive industry segment at UPS Europe in Brussels, where he leads strategic initiatives to assist business growth. He joined UPS in 2011 and previously worked for more than 20 years in B2B marketing for several companies and consultancy firms, where he served accounts such as Airbus Helicopter, Renault and PSA. Jean-François graduated from the Toulouse School of Economics and l'Ecole des Hautes Etudes en Sciences Sociales and is a visiting lecturer on B2B Marketing at the ESSEC business school in Paris.



⁷ The Rise of Product-as-a-Service in Manufacturing and Some of the Technology Impacts, 2014

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