



First Global Lead Logistics Provider Contract Drives Flexibility & Economies for Nortel Networks

Solution generates faster cash-to-cash cycle times, increased order visibility worldwide, improved on-time delivery & planning processes

SITUATION

Nortel Networks is a global leader in telecommunications equipment with customers in 150 countries. Its customers include major telecommunications providers like AT&T, MCI, Deutsche Telecom and Vodafone, whose installers require Nortel Networks to deliver products, just in time, to installation sites that range from skyscrapers to remote mountaintops.

In the late 1990s, Nortel Networks began to move to a more agile logistics infrastructure model, outsourcing warehousing to third-party providers, including Kuehne + Nagel.

Between 1997 and 2001, Nortel Networks shifted from a predominantly fixed logistics cost structure to one that was mostly variable. Shedding the company of significant owned assets subsequently enabled Nortel Networks to more economically manage a business confronted with severe demand peaks and valleys.

Eventually, Nortel Networks positioned itself to be able to completely divest its logistics operations, outsourcing management of its in excess of \$200 million global logistics spend to a lead logistics provider. After a detailed, competitive bid process, in January 2002, Nortel Networks chose Kuehne + Nagel to exclusively manage “the performance of multiple Nortel Networks logistics service providers around the world, helping the company in its ongoing efforts to build on its advanced supply chain and optimize service to its global customers.”

SOLUTION

Upon award of the contract, Kuehne + Nagel established a separate company, KN Lead Logistics (KNLL), to manage more than 60 primary and 200 secondary logistics service providers (LSPs) to Nortel Networks. KNLL is the single point of contact to Nortel Networks for a range of management functions, including:

- Oversight of all warehousing, delivery and other logistics operations
- Contract administration and management of competitive bids for logistics services
- Metrics management, global systems connectivity and visibility & DC network design

RESULTS

Divesting its global logistics operations management to a best-in-class supplier enabled Nortel Networks to focus investments and resources on developing and strengthening core competencies that provide differentiated value to its customers. Under terms of the agreement, KNLL and Nortel Networks share the financial benefits of supply chain initiatives.

Central to the optimization strategy is the creation of a minimum-inventory “merge-in-transit” (MIT) fulfillment model. Under this model, order components are shipped from different points to staging locations where they are combined with other components for shipment as a complete order direct to customers. The MIT model requires real-time visibility to inventory at rest and in motion, as well as an exception-management capability. KNLL will monitor inventory, much like an air-traffic control center monitors flight activity. Events that conflict with established business rules, such as minimum inventory requirements, will be proactively identified and addressed.

According to Nortel Networks Head of Global Logistics Tom Dorval, the benefits of the lead logistics provider strategy already are clear. “Nortel Networks is seeing faster cash-to-cash cycle times, increased order visibility worldwide, a sharp drop in fixed assets, improved on-time delivery, improved planning processes, and reduced inventory, carrying costs and product obsolescence.”

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