

Ensuring 'Service' Is in the Service Supply Chain

Companies in cybersecurity, telecommunications, data storage, networking and other technology-dependent businesses require so much more than warehousing and delivery. They require the special services that only a top-notch service supply chain partner has to offer.

There are so many moving elements in a given supply chain that the word "complex" hardly does justice to the job of describing everything that goes on. That's certainly true when it comes to explaining service supply chains and the myriad of functions that a partner must offer to be competitive.

Transportation, warehousing and inventory management — the stuff service logistics companies provide — are highly sophisticated and complicated operations. The world of the single-source service supply chain partner is that, and so much more.

"When I think of a service supply chain, it is the interconnection of services that a trusted and intimate partner can offer across the lifecycle of a client's products. That means more than just moving and storing product. It means having a deep understanding of your client's business so that the partner can not only warehouse the products but also screen, test and repair their products and, of course, know exactly how to move them from one country to another around the world," says Denise MacDonell, chief technology officer at service supply chain partner Flash Global.

By definition, a partnership with a company offering so many services has to be deep and trusting. When you turn over so many functions to a partner, you must be assured they understand your business, know your needs and can identify what challenges you collectively face. Moreover, anytime a company relinquishes all but its core function to another, a great deal of control is transferred. Clearly, each company is vested in the success of the other.

Visibility is the greatest argument for granting that degree of control to a partner. Visibility enables more predictability and consistency in the information received. For instance, it enables the service partner and client stakeholders to track inventory whether it's in the field, stored on a shelf or in a repair depot.

The same argument can be made for managing transportation, of course. Visibility, predictability and consistency are paramount in any partnership. But the case can be made that any business dealing with devices and technology relies on these elements even more.

Manufacturers of, say, guitars need a comprehensive view into their operations, no doubt about it. However, it's vitally important that companies in verticals that deal exclusively with technology should partner with a service supply chain company. Take networking, for example. Admittedly a broad term, networking can encompass anything from security devices to routers and modems. Companies engaged in those areas require storage of parts, up-to-the-minute inventory management, a wide menu of delivery options (including same-day, in many cases), cross-border Customs compliance, import-export recordkeeping, reverse logistics, equipment testing, repair operations, restocking of refurbished parts and products, or end-of-life disposal.

The livelihood of companies engaged internationally in medical device management, telecommunications or cash management, perhaps for ca-



sinos, relies on partnering with service supply chain experts.

It's one thing to house parts and to transport them when needed, even internationally. It's quite another to screen, test and repair sensitive equipment — a sweet spot for service supply chain partners.

What are the technology considerations when looking for the right partner? You need one with an integrated suite of tools that can provide you with consistent, real-time information. Underpinning that is a system which can follow a part from the moment it enters a warehouse to the second it exits the building, detailing all stops in-between, including screening, testing, repairs, and restocking.

If a prospective partner doesn't have systems that speak to each other — and to the customer's — then it can't provide the visibility and real-time data people like you need.

Clearly then, one should vet prospective partners very carefully. And the best way to know whose capabilities are proven is to look at their facilities. We're talking about much more than a standard tour, though. Take a deep dive, asking questions with regard to their technologies, systems, reporting capabilities and process flow — and more. Does the prospective partner have the ability, personnel and expertise to be the importer and exporter of record? Are their people knowledgeable about the complexities relative to trade compliance and regulations when you move your parts or goods from country to country? And do they have the reach and footprint your company requires: Do they have facilities in the countries you are looking to enter, and are they already working in emerging markets?

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>
> *- Matt McCarty*

The number of companies with the expertise to take on the risk and liability of becoming your service supply chain partner is less than one might assume.

For Matt McCarty, Director of Global Service Supply Chain at cybersecurity company FireEye, a partner's global reach is indispensable. FireEye has a highly effective cyber defense platform — a seamless, on-demand extension of their customers' security operations. What it needs from a service supply chain partner is the ability to deliver a replacement part quickly to its customers, wherever they are located.

"We support next business day delivery virtually anywhere in the world, so all of our processes are geared around delivering that part to the customer and taking what could be a negative customer experience and making it positive," McCarty says.

Making good on orders starts with top-notch inventory management, and McCarty says he is big on closed-loop service supply chain solutions that enable quick order management and delivery, not to mention reducing waste and the unnecessary spend around new purchases, freight expenses, and import-export costs.

By optimizing that existing inventory investment, a company can improve its overall profit margin, and a part-



ner with global reach is instrumental in making that happen.

FireEye utilizes Flash Global sites in 22 countries, and soon will be operative in 28. For McCarty, a partner must be able to quickly ramp up support when a company decides to enter an emerging market.

Secondly, integrating company processes with the service supply chain partner is crucial. Partner selection turns in large measure on its technological sophistication. Order tracking is an important part of that. Complete visibility into what has been shipped and when, its tracking number, who signed for the shipment and at what time — this is indispensable information anytime, anywhere but especially when moving things around the world.

It would be ideal if the perfect delivery could be made every time, but occasionally things go wrong. The manufacturer of sensitive parts and equipment clearly needs a partner that can report in real time when an incident occurs. Moreover, the partner should be able to state whether a defined process was not followed. It's important that the service supply chain partner can do a deep-dive root-cause analysis and present corrective actions so the problem doesn't reoccur.

A prospective partner can claim to have a global footprint, but how can you be sure it won't simply hire yet another partner to handle the responsibilities of storage, order management, global trade regulation compliance and deliveries? A single-source supply chain solutions partner should do it all.

When a company is ready to enter an emerging territory, its partner should take the lead and set up the import-export regime with local experts in the country or region. The manufacturer can provide the necessary product information and harmonized trade codes, but the partner should be able to take things from there.

In operating a service supply chain, McCarty says it is "manageable" to achieve 80 to 85 percent on-time delivery with moderate inventory and resource investment, but it can become enormously costly to deliver on time in the mid to high 90s. "It's just cost prohibitive to do this on your own, so partnering with somebody who is already in the country is critical."

It's one thing to deliver your part or product into a country where you have no presence; imagine how challenging it is to provide reverse logistics, asset management, warranty management or repair operations there. The service supply chain encompasses all of those activities.

But it doesn't stop there. Supporting a product after sale may require installation, configuration or the presence of a field technician. Who actually brings a part or product in for testing, repair, restocking or disposal? And how is that accomplished if not by your service supply chain partner, who can dispatch a technician to be on-site to correct issues?

"The service supply chain is comprised of several support-service activities that enable maximum up-time in the post-sales realm for our customers' customers," says Flash Global Chief Executive Officer Sam Mikles. "Now, companies are required to transport hardware between countries, customer sites or warehouses, which gets extremely complex to ensure effective order management, tracking and may include import-export trade compliance rigor. Those things sometimes get taken for granted, but it's a lot of work to provide visibility and consistency to help connect the dots of the service supply chain."

That's why a partner should quiz the prospective client on who and what it wants to be. In other words, potential customers should recognize not just what their core business is but what they want to be good at, and what as-



pects they don't want to be experts at, yet still get things done.

For example, do they want to own warehouses, manage their own transportation, handle global trade management functions, and employ their own field technicians? Or do they want to turn these vitally important activities over to experts who perform these activities day in and day out, becoming more cost-effective doing it?

Sales are the lifeblood of a company, but brand protection and reputation rely on post-sale or aftermarket support. Is the manufacturer capable of providing those services, or should it look to someone else to provide that support in a cost-effective way?

Benchmarks and goals for service levels and customer satisfaction should tightly align with corporate strategy, but how are they achieved if the OEM lacks the time and resources to provide the needed after-sales support? This is important because higher levels of customer satisfaction and quality of service can lead to additional sales.

On some level, every OEM recognizes that outsourcing support functions is vital to success; nevertheless, a prospective supply chain partner should insist on this discovery process because it clarifies roles and responsibilities, and may bring unexpected challenges into focus.

For example, let's say an OEM is looking to expand into a new region. What does it need to solve for up front, what does it need to get done to support its products in the field?

In a perfect world, that OEM would have done its homework to ensure it could provide support before making any sales destined for a certain country or region. More often than not, it's the inverse. Commitments have already been made, and now the manufacturer realizes it can't provide the service customers require.

Best-in-class companies may have worked everything out in advance. They may have assigned a high-level member of their management team to ensure a support program is in place. But it is not uncommon for growth spurts to exceed a manufacturer's maturation process. As they scramble to meet customer needs, they will require a service supply chain partner to come in and move them from reaction to "proaction."

All of that investigation could have been done up front in the vetting process, when the manufacturer was looking for the right partner. Moreover, deciding which supply chain partner to align with doesn't have to rely solely on office discussions. A trustworthy supply chain partner should be eager to enter into pilot programs, to allow the OEM to get a feel for the expertise and capabilities available in such a partnership.

After all, this is a big decision for a manufacturer. Company reputation — not to mention managers' jobs — are at stake. A courtship that involves a pilot is entirely appropriate. In addition, if the prospective partner is seen as merely a vendor rather than as a true partner, the relationship can't be an optimal one.

When there's something like a trade regulation change, a transportation lane not performing or a new product comes out that requires new licenses, Mikles says, there's no such thing as "one and done."

The best partnership is one that's proactive, willing to make constant changes to be increasingly effective. It means ensuring there's "service" in the service supply chain.