Building a better distribution model to accommodate rapid growth

This customer is a global leader in the development, manufacture and marketing of molecular diagnostic tests that can help assess a patient’s risk for disease, assist in the diagnosis of diseases and help physicians determine what therapies or treatments are appropriate for a given patient.

Improving service cost management

With a primary distribution operation located on the West Coast and a demand center on the East Coast, this manufacturer was experiencing rising transportation costs and extended transit times related to shipping consumable products to their final destinations. Combined with rapid company growth, this issue was quickly becoming a significant business risk that had the potential to inhibit future expansion. Because the company’s inventory also included temperature-sensitive products with specific handling and storage requirements, no ordinary “off the shelf” logistics solution would work.

In addition, the company needed to implement a service parts distribution model that could provide more timely and accurate information about critical test equipment — ultimately leading to improved customer service and more effective service cost management.

Achieving efficiencies

After working extensively with the company’s senior leaders to understand current business and future strategies, FedEx SupplyChain proposed moving the distribution of the company’s compounds and consumables to the FedEx ISO 13485-certified Global Distribution Center (GDC) in Memphis, Tenn.
Since the manufacturer’s primary demand center was on the East Coast, moving to a central distribution operation in Memphis could improve average transit times from 3.5 to 2.4 days, lower costs and boost flexibility.

In addition to consumable products, the company also manufactured highly specialized equipment that required a different sort of distribution solution that was specifically designed to maintain or exceed service levels.

To address the global needs of the service parts division, the diagnostic test provider implemented FedEx Critical Inventory Logistics®. This solution, designed specifically for spare parts logistics, has enabled the company to eliminate the investment and ongoing expenses associated with building and maintaining an internal supply chain stocking location network and related information systems. The FedEx® Global Supply Chain Manager technology was custom created to support the seamless global movement of critical service parts and finished goods inventory from a single platform. Now, when the customer expands into new regions, the “plug-and-play” set up of this platform allows these locations to easily be added without incurring additional enterprise resource planning (ERP) integration costs.

Through FedEx Critical Inventory Logistics, the manufacturer receives location, route and transportation optimization, smart cost calculations and time-definite delivery alternatives for the most critical service parts.

Optimizing distribution operations

By centralizing distribution operations at the FedEx SupplyChain GDC in Memphis, the healthcare company has saved an estimated $1.4 million a year in transportation expenses and achieved greatly improved service levels and reduced transit times. The multi-customer GDC also supports the manufacturer’s future growth requirements with a variable cost structure, which frees up capital.

FedEx SupplyChain meets the customer’s Good Manufacturing Practices (GMP) standards for temperature-sensitive products through temperature and environmental controls, monitoring, data capture and retrieval capabilities.

The company’s service parts division now has full visibility to inventory via the FedEx Critical Inventory Logistics web portal, which has led to optimized parts deployment and planning and automated processes for previously labor-intensive activities.

Thanks to FedEx Critical Inventory Logistics, this customer also has real time access to a full range of data and reports that help to better manage inventory, control costs and improve customer service levels.