

Smith & Nephew - A partnership enhanced through programme of change

Smith & Nephew, the advanced medical device group, had been an Exel customer at a multi-customer site in Veghel, The Netherlands, since 1998. From this site, Exel managed and re-distributed bulk Healthcare products throughout Europe. In 2000, Smith & Nephew was faced with increased logistical challenges, catalysed by escalating product volumes. To meet these challenges Exel has responded through optimising resources, re-engineering supply chain processes and establishing a dedicated European Distribution Centre for Smith & Nephew, again in Veghel.

The Challenge

A leader in its marketplace, Smith & Nephew develops, manufactures and markets sophisticated medical devices to end users such as hospitals and pharmacies. Exel, the world leader in supply chain solutions, works closely with Smith & Nephew to provide supply chain efficiency through warehouse management, inbound logistics, transportation management and pick and pack services. Exel receives products in bulk from manufacturing facilities and re-distributes them throughout Europe to end customers and agents.

At the beginning of 2000, Exel and Smith & Nephew faced several challenges as normal daily order levels escalated by 60%. In addition, later in the year, Smith & Nephew agreed a joint venture (JV) with Beiersdorf, the manufacturer of international branded cosmetics and medical products, which meant throughput at the Veghel site would double, creating an even greater challenge for both companies.

Faced with the challenge Smith & Nephew's success placed on its supply chain, Exel and Smith & Nephew needed to work together to find a solution which would enhance customer service, effectively accommodate the rapid business growth and continue to build upon the working partnership with Smith & Nephew.

The Solution

Exel successfully initiated an innovative programme of change to develop people, processes and foster continuous improvement. To enhance performance levels, Exel and Smith & Nephew agreed four key performance indicators (KPIs) with targets for each:

- Same day dispatch throughout Europe > 97%
- On-time receipt > 99%
- Inventory accuracy > 99%
- Pick and ship accuracy > 99.5%

In addition, the operational processes were mapped out and streamlined. This drastically reduced the number of movements required each day, eliminating waste and enhancing efficiency within the facility. Project management processes were also introduced to help smooth the management of increased volumes at the site.

As a direct response to the increase in business, Exel worked closely with Smith & Nephew to establish a new 7,500 sq m dedicated facility, one kilometre away from the previous Veghel site. This provided the capacity to meet the expansion in volume and again enhanced operational efficiency. Close project management ensured a rapid transition into the new facility; the move was completed within eight weeks in January 2001.

The Results

Through the introduction of the innovative programme of change and re-engineering of operational processes, Exel was able to efficiently deal with the increased volume through organic and JV growth. Service levels achieved by the 80 staff consistently exceeding the agreed KPIs.

The migration to the new facility happened in record time giving the customer capacity to ensure an effective transition prior to the JV becoming operational. Change management and process re-engineering delivered the scope to accommodate Smith & Nephew's rapid growth.

Smith & Nephew's costs per shipment have reduced by 10% with significant increase in service levels. Testament to the growing partnership, Exel is currently undertaking a strategic review of Smith & Nephew's European supply chain with a view to helping Smith & Nephew further develop its customer's competitive edge.

Richard Spence, Global Logistics Manager, Smith & Nephew comments: "Since 2000 we have experienced increased sales, driven by organic growth, joint venture growth and the pace of our innovative product launches. The consecutive years of double digit sales increases have inevitably placed demands on our supply chain. This has led to a programme of change delivered in partnership with Exel to enhance our supply chain as a competitive weapon and an enabler of our continued growth".

Grahm Inglis, President, Healthcare Worldwide, Exel said: "Value creation is the key to our partnerships with customers such as Smith & Nephew. This commitment to creating new value demands continuous development

of our people, processes, systems and thinking fostered by a culture of working together in new and innovative ways. Such a programme of change is evident in the partnership with Smith & Nephew”.