

SAP Customer Success Story
Logistics Service Providers – Contract Logistics



“This solution delivers transparency from the business administration all the way to the material handling level, enabling a 360-degree view of the entire warehouse.”

Dr. Georg Reichwein, IT Director, CE Product Management, DHL Exel Supply Chain, Central Europe

AT A GLANCE

Company

- Name: DHL Exel Supply Chain, a division of DHL Logistics
- Location: Hamburg, Germany
- Industry: Logistics service providers
- Products and services: Contract logistics
- Employees: About 75,000 (in Europe)
- Web site: www.dhl.com
- Implementation partner: IGZ Logistics & IT GmbH

Challenges and Opportunities

- Legacy warehouse management software and hardware at end of life cycle
- Difficulty responding quickly to changing customer demands and market trends
- Risks associated with insular warehouse management concept

Objectives

- Fully support all processes with SAP® software to eliminate interfaces
- Offer customers comprehensive SAP competence and interoperability
- Improve speed and responsiveness
- Secure long-term competitive advantage

SAP Solution and Services

SAP for Travel & Logistics Services solution portfolio, including task and resource management functionality

Implementation Highlight

Successful implementation and go-live without impacting operational routine or customers

Why SAP

- Satisfied SAP customer
- Possibility of eliminating local subsystems
- Tight integration with SAP software of logistics customers
- Long-term investment protection

Benefits

- Simplified system architecture by eliminating subsystem tier
- Established a single, comprehensive software platform
- Improved integration with customer SAP software, enabling real-time process tracking on both ends
- Enhanced flexibility to respond quickly to changing customer needs
- Improved inventory management

Existing Environment

SAP for Travel & Logistics Services

Third-Party Integration

- Database: MaxDB
- Hardware: Hewlett-Packard
- Operating system: HP-UX

DHL EXEL SUPPLY CHAIN

Centralized SAP® Software Connects Logistics Service Provider with Material Handling Systems, Employees, and Customers

A state-of-the-art warehouse is a complex organism, interweaving IT and sophisticated engineering. A key element here is the material flow control system, which ensures that both employees and the automated equipment handling the material perform process steps in the right sequence. But local material flow systems age. And they had at DHL Exel Supply Chain. However, instead of replacing them, the company innovated. By upgrading its SAP for Travel & Logistics Services solution portfolio, it was able to eliminate the local material flow systems altogether. Incorporating material flow management into its SAP® software landscape in Germany was an important strategic step for the company in building a customer-focused IT organization globally.

DHL Logistics, owned by Deutsche Post World Net, is the global market leader in international logistics services; overland, air, and ocean freight transport; and contract logistics. DHL Exel Supply Chain is the contract logistics business, with 75,000 employees working in over 1,400 locations. It provides customers in many industries with comprehensive supply chain and logistics services, such as fully automated warehouses and order processing, to meet customer service-level agreements with the highest efficiency.

A New Concept Ensures Adaptability

When the legacy local material flow systems at four of DHL Exel Supply Chain's German warehouse sites reached the end of their life cycles, upgrading to a later version of the existing system appeared unwise. Future vendor support was uncertain and the solution lacked flexibility, making it difficult for DHL Exel Supply Chain to adapt quickly to changing customer requirements and market demand.

DHL Exel Supply Chain discussed its options with IGZ Logistics & IT GmbH, an SAP partner with special expertise in SAP logistics and warehouse automation software. IGZ recommended an alternative that would eliminate the local material flow systems altogether: an upgrade of DHL Exel Supply Chain's existing centralized SAP for Travel & Logistics Services solution portfolio. The upgrade would include new task and resource management functionality for communicating directly with the programmable logic controller at each warehouse site.

A visit to a reference site convinced DHL Exel Supply Chain that the suggested solution could handle their complex processes. These processes included automated highway warehouses, material flow systems, and radio frequency identification scanning devices, not to mention the tens of thousands of products stored at each of its sites. Furthermore, a seamlessly integrated application would reduce potential sources of error, improve visibility into processes, and enhance collaboration with DHL Exel Supply Chain's customers using SAP software – without increasing total cost of ownership.

Stepwise Approach Keeps Business Running

DHL Exel Supply Chain and IGZ developed a multistage implementation approach in order to minimize disruption to business operations. To avoid overloading its central server, DHL Exel Supply Chain decided to separate the business functionality of its SAP software from the logistics execution and task and resource management modules, and run them on different systems. All software configuration settings and enhancements were tested repeatedly using a process simulation tool. Simultaneously, the company optimized its physical material handling processes and employee ergonomics at the pilot site in Steinfurt, Germany.

The functional areas of the warehouse went live one at a time to ensure a smooth transition. The 10-month project was completed by switching off the local server. "We were very satisfied with the project. It went exactly according to our plans," says Dr. Georg Reichwein, IT director of CE product management of DHL Exel Supply Chain logistics operations for central Europe. "Meanwhile we have rolled out the solution to our Oschatz facility as well, and the other two sites are in progress."

Today, DHL Exel Supply Chain operates one of the most sophisticated deployments of SAP warehouse management software in the world. From the centralized data center, the application controls, coordinates, and monitors all operations. It communicates directly with local robotics controllers and wireless mobile units used by fork truck operators and other staff. A graphical user interface developed by IGZ helps employees understand the displayed transaction information at a glance. "Our warehouse operations are running more smoothly than ever before," reports Reichwein. "By eliminating the entire subsystem tier and its interfaces, we have greatly simplified our system architecture. Having one standard platform that fully supports our existing infrastructure has allowed us to optimize our inventory management capabilities significantly. This solution delivers transparency from the business administration all the way to the material handling level, enabling a 360-degree view of the entire warehouse. And it has been working trouble-free for a year now."

Integration: A Business Strategy

An end-to-end SAP software landscape allows DHL Exel Supply Chain to track all internal processes – and many external ones as well. “Ninety percent of our customers use SAP software,” says Reichwein. “Being able to communicate seamlessly with other SAP environments and provide both parties with real-time visibility into processes is a competitive advantage for DHL. And connecting to other enterprises is much easier when SAP experts talk to SAP experts.”

Each movement of goods either on the customer side or at the DHL Exel Supply Chain logistics center is accounted for online and can be viewed by both enterprises simultaneously. This has led to increased, simplified inventory and decreased error rate at

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the same time, by ensuring accurate record keeping. Any part in storage can be tracked throughout its processing cycle. Process changes need be implemented only once and take effect everywhere immediately.

As a full-service logistics provider, DHL Exel Supply Chain knows its comprehensive SAP application environment promotes business success by improving quality of service. The integrated software architecture supports the entire range of processes – from order entry and inventory management to receiving and shipment generation all the way to handling unit management and shipping. It has given the company speed, reliability, and full process control as well as greater flexibility to successfully cope with shorter contract terms and changing customer requirements.

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