

Logistics
MANAGEMENT.

**MAKING
THE CASE**

**MAKING THE CASE FOR
FedEx Critical
Inventory Logistics®**

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FedEx Critical Inventory Logistics is designed to help companies streamline and drive costs out of their aftermarket service supply chains to meet customer service level agreements and grow their bottom-line revenues.

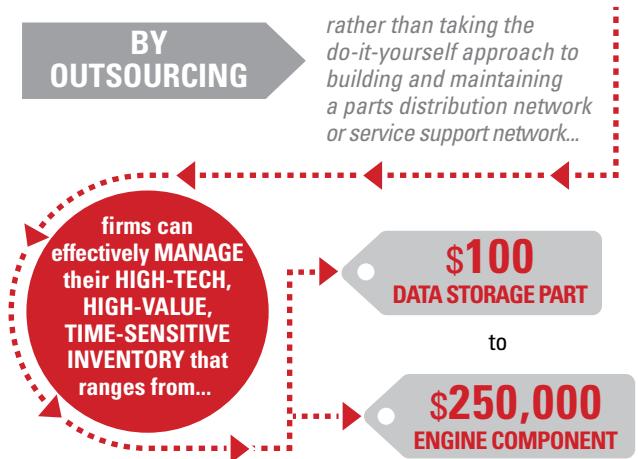
A LEADING DEVELOPER of robotic technology must quickly deploy parts to a hospital where mission-critical surgical equipment has to be up and running around the clock. A manufacturer of point-of-sale printers and scanners to the retail arena must effectively and efficiently support its devices without making additional investments in warehouses, DCs, and logistics networks.

What do these scenarios have in common? While highly individual in nature, they share a common theme: a company that must source, deliver, and install mission-critical parts and equipment to their aftermarket customers on a consistent and reliable basis.

That manufacturer of retail point-of-sale systems, for example, may promise a one-hour repair window via a customer service level agreement (SLA). That means technicians have to arrive onsite, diagnose the problem, and have (or secure) the part necessary to make the repair within an hour. Miss this mark and the customer could lose thousands of dollars in sales and increased man hours due to manual processes.

To meet their customers' aftermarket service expectations, companies turn to FedEx Critical Inventory Logistics for help. When investing in an inventory management system, distribution network, warehouse space, and human resources don't fall under the company's core business, FedEx Critical Inventory Logistics helps companies focus on their core competencies.

FedEx has been in the spare parts logistics business for over 40 years, and was the first in the industry to pioneer a solution

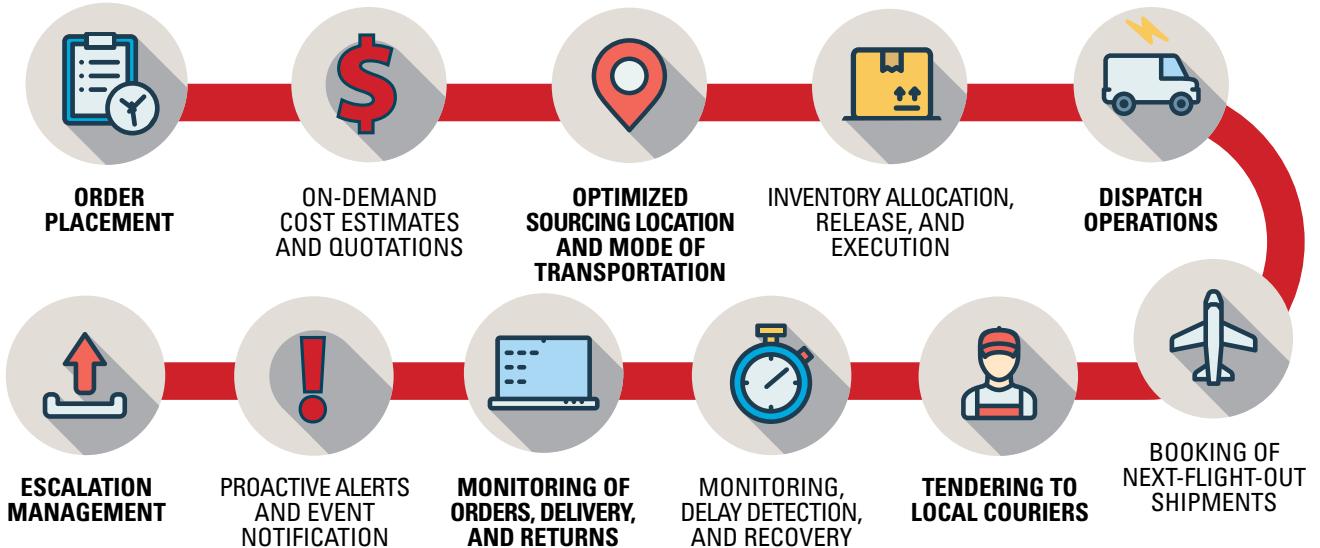


to this critical-inventory transportation need. This solution was originally a part of FedEx's supply chain offering. On June 1, 2017, several moves were made to realign FedEx operating companies and the portfolio of logistics solutions. GENCO was re-branded as FedEx Supply Chain which now manages warehousing and fulfillment.

"Today, FedEx Critical Inventory Logistics is part of FedEx Express and has access to our global transportation network," says Tom Dale, FedEx Vice President of Global Solutions Marketing, "which allows us to better serve our customers with the full portfolio of time-sensitive transportation offerings."

A flexible, efficient, and agile solution, FedEx Critical Inventory Logistics utilizes the FedEx Global Distribution Center (GDC) and a network of Forward Stocking Locations (FSLs) to more efficiently support its customers. "We design solutions to match a company's unique requirements and service level

Optimized critical inventory solution



FedEx Critical Inventory Logistics can elevate your critical inventory supply chain with the ideal combination of service, locations and technology. It covers everything from order and transportation optimization, inventory management, monitoring and visibility, and reverse logistics, giving you full visibility and control.

agreements (SLAs)", Dale explains. "In addition to optimizing our customers' inventory, our technology streamlines the processes already in place to manage everything from order entry to delivery to returns."

By outsourcing, rather than taking the organically-grown approach to building and maintaining a parts distribution network or service support network, firms can effectively manage their high-tech, high-value, time-sensitive inventory that ranges from the \$1 computer part to the \$250,000 engine component.

"Companies don't want to have duplicate equipment or extra real estate to accommodate their critical inventory needs," says Webster Guidoboni, FedEx Business Development Manager. "They want to get the most out of the equipment that they have on hand, and we help them do that."

By serving as an integrated provider, FedEx Critical Inventory Logistics provides a long-term solution to short-term problems that can quickly bring companies to their knees in a world where customer expectations are at all-time highs.

Guidoboni says critical logistics support helps companies address gaps within their supply chains while also allowing them to focus on what they do best: running their companies in the most profitable manner possible. A firm that has too much inventory, for example, or the right inventory in the wrong locations, risks paying hefty fines for not meeting customer SLAs.

The same company is probably also missing key deadlines

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—Webster Guidoboni, FedEx Business Development Manager

and commitments, both of which lead to revenue drains and customer service problems. The maker of hospital x-ray machines, for example, can't afford to miss the 90-minute repair window outlined in its customer's contractual obligations. But that's exactly what happens when a technician doesn't have the right part in his or her vehicle.

Add inventory write-offs due to the inability to "locate" the inventory at the right time and technicians who hoard parts in their vehicles to the mix, and the case for outsourcing critical inventory logistics becomes that much stronger.

"Companies that try to manage their critical inventory themselves really have to look closely at whether their aftermarket service margins are healthy and growing, or not," Guidoboni advises. "If the answer is no, then it's time to look for a better way of managing this aspect of your business." •

What is FedEx Critical Inventory Logistics?

An inside look at the world of critical inventory logistics and the value that it provides for today's companies.

WHILE COMPANIES FOCUS ON their core competencies, FedEx Critical Inventory Logistics manages their most demanding aftermarket supply needs—from order inception to delivery confirmation. Through its global network of DCs, FedEx allows companies to position inventory wherever their customers, sales representatives, and/or technicians are located.

The FedEx Critical Inventory Logistics value proposition doesn't end there. FedEx technology provides inventory management across the end-to-end aftermarket supply chain, with both sourcing and delivery optimized according to the shipper's preferred SLAs. Finally, the Command and Control team monitors the company's critical orders through the entire delivery process 24/7.

Dale says that companies derive the most value from FedEx Critical Inventory Logistics when they view it as a

provider across the continuum of logistics needs—from ocean freight forwarding to critical inventory to ground and express parcel. "FedEx Critical Inventory Logistics is part of a much larger organization, with a global reach we can leverage to improve more than just spare parts logistics. We can transform the entire supply chain with bundled solutions of transportation, warehousing, logistics, customs brokerage, and more".

Using the robust FedEx Critical Inventory Logistics network, companies can reduce or eliminate completely the investment and expenses associated with maintaining the aftermarket services supply chain infrastructure. Using its established, hub-based networks and worldwide coverage, the FedEx value-added solution provides dedicated support and advanced technology systems to support even the most demanding SLAs. In return, firms can refocus on their core strengths and allocate resources to serving their own customers and growing bottom-line revenues.

A part of the FedEx Express network, FedEx Critical Inventory Logistics was developed to fully support companies' time-sensitive, high-value service parts inventory. With a strong network that encompasses more than 220 countries, critical parts are delivered expediently, thus allowing companies to hit required SLAs and meet the exacting demands of their customers.

With more than 500 stocking locations in 26 countries throughout FedEx Express and third-party provider locations, FedEx Critical Inventory Logistics works to make global parts distribution operations more efficient, as well as improve its customers' transportation networks and provide long-term solutions. FedEx technology helps companies select the optimum fulfillment location, route, and mode of shipping; source from multiple stocking locations (when necessary) to fill an order; and gain predetermined original equipment manufacturer or supplier stocking locations.



Companies can place orders by part number, serial number, lot number, and expiration date; take advantage of specialized packaging and labeling; and have FedEx handle inspection, quality control, and returns processing. By offloading these non-core—yet necessary—tasks, companies can effectively manage their critical parts inventory without the need for additional human resources or warehousing investments. And because getting all of these “extras” through a single provider can simplify a company’s operations, FedEx Critical Inventory Logistics also provides value-added services.

FedEx works to make its customer service parts distribution operations more efficient, as well as improve their delivery network by providing service supply solutions. Its dedicated Command and Control customer support teams are available 24 hours a day, seven days a week to monitor orders and manage inventory stocking levels. These teams serve as an extension of your team so you don’t have to invest in staff to support a growing service business.

Because FedEx Critical Inventory Logistics helps companies consolidate inventory at the local level, there’s no need to overstock in anticipation of a stock-out. So, instead of keeping 20 SKUs of a certain part in one warehouse, for example, a company may only need to keep five SKUs—and then rely on FedEx to manage the day-to-day inventory management.

“By outsourcing the distribution of their parts, OEMs (Original Equipment Manufacturers) can more effectively service their install base and meet their critical SLAs,” says John Jasper, FedEx Marketing Specialist Advisor, who adds that the company’s flexible network allows the provider to ramp up as needed from a facility perspective to accommodate customer demand.

Making the solution even more attractive for customers is a transportation optimization platform that allows companies to make quick decisions on critical shipments. “You can go online to process orders, then sort the potential delivery solutions by time, speed, and cost, and then make a decision that could add up to significant savings over time,” Jasper explains.

On the backend, the platform enables efficient return, exchange, and asset management. “It’s a closed-loop system that comes with high levels of visibility,” says Jasper. “This can help further reduce inventory levels and makes the entire

WHAT IS FEDEX CRITICAL INVENTORY LOGISTICS?

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FEDEX ensures that parts are **DELIVERED EXPEDIENTLY**, thus allowing companies to **HIT REQUIRED SLAs** and meet the exacting demands of their customers



With more than
500 STOCKING
LOCATIONS
in **26** COUNTRIES
throughout FedEx Express and
third-party provider locations

FedEx Critical Inventory Logistics works to make global parts distribution operations **MORE EFFICIENT**, as well as **IMPROVE** its customers’ transportation networks and provide long-term **SOLUTIONS**



THE COMMAND AND CONTROL TEAM
monitors the company’s critical orders
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“By outsourcing the distribution of their parts, OEMs (Original Equipment Manufacturers) can more effectively service their install base and meet their critical SLAs.”

—John Jasper, FedEx Marketing Specialist Advisor

critical logistics inventory process that much more efficient.”

According to Ron Gavran, FedEx Business Development Manager, FedEx Critical Inventory Logistics matches companies with the most appropriate service for their specific needs. And because FedEx offers a very targeted solution for the high tech, IT, healthcare, and industrial customers, it can effectively leverage the overall FedEx portfolio and its processes, people, and places. “Most of our competitors only have a fraction of the capabilities that FedEx can bring to the table,” says Gavran.

“It’s the same customer experience the chairman envisioned when he founded the company,” Gavran continues. “Just like you would hand off a FedEx Priority Overnight® envelope and know that it will get to its destination the next morning, with FedEx Critical Inventory Logistics there’s not a lot for customers to worry about. We have it handled.” •

Making the Case for FedEx Critical Inventory Logistics

All stakeholders benefit when companies outsource the critical inventory logistics process to a competent third-party provider.



BENEFITS FOR SENIOR MANAGERS:

Charged with successfully implementing company policy, developing strategic plans, controlling budgets, and building and maintaining an effective management team, today's senior managers are seeking solutions that help their companies run smarter, better, and faster.

Focused on processes, senior managers want to know that their companies are functioning in the most efficient and profitable manner possible. FedEx Critical Inventory Logistics helps them retain customers, eliminate the top-down approach to managing parts inventory under manufacturing, and align the logistics function organizationally in the service division.

Outsourcing critical logistics management to FedEx also allows senior managers to focus on inventory accuracy, first-time fix rate, service to cash, enforceable maintenance practices, and tighter obsolescence guidelines. This, in turn, leads to improved inventory performance, lower service inventory investments, increased inventory turns, and improved fill rates.

Working with a dedicated account management team, senior managers know that everything from their day-to-day issues to their special inventory management requirements is addressed quickly and efficiently.

"Whether they're looking to bring on another business unit or customer," says Gavran, "we're able to quickly expand the network, optimize locations, add new support, and do anything else that a frontline manager would be swallowed up by trying to accomplish." That director is then able to focus on his or her company's core competencies and business management and leave the rest to the FedEx Critical Inventory Logistics experts, technology, and systems.

According to Gavran, senior managers are also concerned about inventory levels, and maintaining a healthy balance between "enough" and "too much" critical parts inventory.

"They want to have the right part, at the right place and at the right time," says Gavran, noting that inventory visibility is equally as important. A technician that hoards critical parts on

his truck for fear of being caught without that item, for instance, is unwittingly driving up inventory costs while also preventing good supply chain visibility.



BENEFITS FOR SVP OF OPERATIONS AND CFOs:

Tasked with cutting costs, growing revenues, and staying compliant, today's CFOs and SVPs are increasingly turning their companies' aftermarket business into a profit center.

"CFOs want to increase revenues and decrease expenses," says Guidoboni. "They're focused on net present value, and looking for ways to enhance it while maintaining strong customer service levels and meeting customer SLAs."

To help CFOs and SVPs achieve these goals, FedEx Critical Inventory Logistics provides aftermarket supply chain services that improve profitability, bolster a service company's strength, and increase customer satisfaction.

For SVPs and CFOs, the ROI in outsourcing critical inventory logistics also lies in leveraging a global provider like FedEx and the many different value-added services that it provides. "By working with a company that's technology-driven and that provides global visibility," says Guidoboni, "corporate CFOs can effectively improve throughput while reducing inventory and carrying costs. That's where the money's at."



BENEFITS FOR CEOs:

The highest-ranking executives in any organization, CEOs have to make major corporate decisions, manage their companies' overall operations and resources, and serve as the liaison between their organizations' board of directors and corporate operations. Not always on the "front lines," but definitely aware of what's going on in the aftermarket service supply chain, CEOs may be seeing freight/shipping costs, service costs, and logistics costs rise and customer service levels drop.

Focused on making bottom-line improvements while also enhancing their companies' stock value, CEOs want to be



able to address these issues quickly while also driving improvements and enhancements, and reducing inventory levels. FedEx Critical Inventory Logistics gives CEO peace of mind through its global transportation and stocking location network, delivery capabilities, multiple stocking locations, and myriad value-added services. Managing all of these elements would require a full staff, technology, multiple warehouse locations, and a worldwide transportation network that most corporations lack.

“FedEx Critical Inventory Logistics helps CEOs drive efficiencies and provide high levels of service to their customers by always being in the right geographical location based on their unique demand requirements,” says Gavran. “That’s a real differentiator for FedEx, which focuses on building a stocking network based on these demands, as opposed to having a static set of stocking locations, and driving the customer into those static locations.”

Because most CEOs live and work by their boards’ expected revenues and the company’s controllable expenses, FedEx provides a way to bridge the gap between the two and keep everyone happy. “When you improve customer service, you can increase revenues,” says Gavran, “and when you increase revenues, you’re decreasing costs. All of sudden stockholders take notice and start driving your company’s stock up. That’s music to the CEO’s ears.” •

Trust in FedEx

FedEx Critical Inventory Logistics dedicated **Command and Control** customer support teams are available **24/7/365** to monitor orders and check stock levels. The provider’s teams serve as an extension of their customers’ teams, so the latter never has to staff up internally to support their growing businesses. Here are some of the key features that customers are leveraging:

- Order processing
- On-demand cost estimates and quotations
- Optimized sourcing location and mode of transportation
- Order entry, inventory allocation, release, and execution
- Dispatch operations
- Booking of next-flight-out shipments
- Tendering to local couriers
- Monitoring, delay detection, and recovery
- Monitoring of orders, delivery, and returns
- Proactive alerts and event notification
- Escalation management

Leveraging the Power of FedEx in the Critical Logistics Arena

IT'S NO SECRET that FedEx is a powerhouse in the global shipping arena and that it executes in a world-class manner that companies around the world have come to rely on to get their shipments from Point A to Point B in an efficient hub-and-spoke logistics network.

FedEx Critical Inventory Logistics takes that commitment to the next level by elevating the critical inventory supply chain with the optimal combination of service, locations, and technology. Covering everything from order and transportation optimization, inventory management, even visibility, and reverse logistics, FedEx maintains control of the asset/part throughout the entire process.



“From the outset, our goal is to understand the individual customer’s real requirements, needs, and challenges,” says Gavran. “Then, we customize a proposal and network solution based upon that customer’s unique set of requirements.”

With more than 500 stocking locations in 26 countries throughout its FedEx Express and third-party provider locations, FedEx Critical Inventory Logistics works to make its customers’ distribution operations more efficient, as well as improve their transportation networks and provide long-term solutions.

“When you’re one of the largest air cargo companies in the

world, you have a lot of leverage in the marketplace,” says Gavran. “We extend that leverage out to our customers, thus enabling them to meet their critical inventory needs while enhancing revenues and improving customer service.”

Guidoboni says the provider is especially focused on helping companies better utilize their existing inventory while keeping their “safety stock” reserves to a minimum. This, in turn, helps companies cut costs and avoid the customer service issues that arise when critical parts are out of stock or unavailable.

Nationwide, FedEx has over 200 domestic FSLs where parts and equipment are stored and ready to ship within 2- to 4-hour delivery commitment windows. From its Global Distribution Center (GDC) in Memphis, the provider handles late cut-off orders (up until 11:30PM) for both Freight and Express shipments. If a point of sale device goes down at a retail location during the day, for example, a technician can assess the problem and get the critical parts to make the repair within four hours or less.

Using its order management platform (which incorporates an event management feature), FedEx Critical Inventory Logistics can then “watch” as that part order is placed for repair, see it move through the process of being picked up or delivered, and take the necessary steps to expedite the process (i.e., if a technician doesn’t come to pick up the order within the allotted timeframe).

“This gives us the flexibility to stay on top of these critical shipments and meet the customer’s deadlines,” says Brent Mohair, FedEx Managing Director of Operations. This, in turn, helps to improve visibility and control in a fast-paced business environment where every second counts. In addition, the logistics provider utilizes a proprietary Order Management System (OMS) and a Warehouse Management System (WMS) for tracking and controlling all customer inventory and order data.

“Our WMS has global reach,” says Mohair, “and connects our entire FSL network to enable our customers to save money, leverage the flexibility of scale, and rely on the traceability of their parts as they move through the system and out to their own customers.” •

Case Study

Fulfilling Customer Demands by Having the Right Parts in the Right Place at the Right Time

AS A PROVIDER OF INFORMATION TECHNOLOGY

support for Fortune 500 companies across the U.S., Essential Enterprise Solutionssm knows that its ultimate success hinges upon the ability to meet all aspects of each customer's SLA. This requires a flexible solution with global visibility to in-transit and at-rest inventory, so that field service technicians and call center representatives are empowered to make quick sourcing decisions. Craig Heck, Essential Chief Operating Officer, says Essential started running into challenges in the early-2000s, when computer repair requirements shortened to same-day/4-hour. "Because many of those repairs require some kind of IT service part," he explains, "we obviously couldn't advance in that market without offering a service that put the parts within a couple of hours of—or, right down the street from—our customer locations."

With the goal of redesigning its existing distribution model in a way that would exceed customer expectations, Essential evaluated all the available alternatives in the service parts logistics market and selected the FedEx Critical Inventory Logistics solution in 2002. Designed to support companies that handle vital inventory, the solution incorporates proactive shipment monitoring, event notifications, and

transportation service supported by a robust global IT infrastructure.

When a repair call comes in, Essential's call center management team can better control service occurrences through the FedEx Critical Inventory Logistics customer portal, a web-based application that provides the best sourcing location, mode of transportation, and cost calculations. Heck says the solution allows Essential to flex, scale, and "ramp up" new customers—all while effectively responding to fluctuating demand shifts in its business.

Since beginning to work with FedEx Critical Inventory Logistics, Essential has experienced extreme growth and now faces even higher expectations when it comes to getting the right part to the right place within a very tight window, as promised to the customer. With FedEx Critical Inventory Logistics, the company has decreased field service technician trunk stock (i.e., the parts that technicians have to store in their vehicles) by 80 percent and reduced its overall inventory carrying costs thanks to the provider's FSLs.

At the time, Essential owned 100% of the service parts that it was selling. Today, roughly 70-80% of those parts are consigned inventory parts from its suppliers. As a U.S. service arm for a large Chinese telecom manufacturer, for example, Essential receives parts on consignment from the company and then pools those parts in the FedEx network. "We're a logistics duo in a scenario where FedEx lands multiple direct flights daily to and from China," Heck explains. "That helped us seal the deal with the customer."

One of Essential's largest customers, an air transport communications and IT specialist company, initially approached FedEx about developing a critical logistics strategy. Knowing that Essential was already helping similar firms meet and exceed their critical inventory logistics needs, FedEx served as the conduit for what has since become a long-term relationship for the customer and Essential.

"We were able to provide a portfolio of services that the customer needed," says Heck, "and grow them into a substantial customer over time."

Working with FedEx Critical Inventory Logistics, Essential has been able to grow into a national IT support powerhouse and is now on track to expand even further in 2018. "We can literally be anywhere in the U.S. with a product or support item within minutes or hours," says Heck. "As our business continues to evolve, and as more companies move away from carrying inventory, we'll continue to rely on FedEx Critical Inventory Logistics to help us rise up and thrive in a very dynamic marketplace." •

Three Ways FedEx Helps You Win in the Competitive Business World

FedEx Critical Inventory Logistics helps companies achieve these key goals:

- 1. Improved delivery performance.** Choose from a wide range of transportation services to match your unique requirements — from on-demand local couriers to a broad portfolio of FedEx transportation services.
- 2. Focus on your core competencies.** Leave transportation and logistics to FedEx, and focus on what you do best. By doing so, you'll be able to allocate resources to the most important business functions, increase efficiency, and maximize your human resources. You already trust us with your packages, let us handle your service parts too.
- 3. Greater cost savings.** Skip the investment and ongoing expense associated with building and maintaining your own supply chain infrastructure and order-management system and rely on ours instead. FedEx[®] can support the worldwide movement of your most critical service parts and finished goods, as well as provide end-to-end supply chain visibility.