

Case study



DAMCO'S DELIVERIES FOR FOXCONN ARRIVE 99.9% ON TIME – MORE THAN CLOSE ENOUGH

ONE OF THE INDUSTRIAL FRONTRUNNERS IN EASTERN EUROPE IS TAIWAN BASED FOXCONN. THE COMPANY CHOSE DAMCO TO MANAGE THE FLOW OF THOUSANDS OF INDIVIDUAL COMPONENTS TO THE CZECH REPUBLIC FOR ASSEMBLY INTO PRODUCTS. TODAY, DAMCO OVERSEES THE MOVEMENT OF OVER A HALF-MILLION PALLETS A YEAR WITH A DELIVERY ACCURACY OF 99.9%.

Foxconn is one of the leaders in the joint-development, manufacturing and assembly to the global computer, communication and consumer electronics industry. The Taiwan-based company fuels the economy around the central Czech cities of Pardubice and Kutna Hora where manufacturing facilities are located.

Several years ago, the contract manufacturer went looking for a partner to ensure that the parts needed to assemble products in the Czech Republic get to the factory exactly on time.

Meeting this requirement is highly critical for Foxconn and therefore the choice fell on Damco, one of the world's leading providers of freight forwarding and supply chain management solutions. Damco now handles more than a half-million pallets a year for Foxconn -- each holding 3,000 stock keeping units -- with a declared 99.9% accuracy in factory delivery time.

A lean operation

Foxconn factories often depend on components from many vendors across Asia and the Americas, yet it's a lean operation. Storage space is measured more in time than in space, and the factories typically offer only four hours of in-house supply storage space.

Therefore Damco needed an in-depth understanding of the importance of every single assembly part and its availability. In other words being a partner to Foxconn capable of effectively orchestrating an enormously complex, inbound supply chain.

"From day one, we focused on becoming a vital part of Foxconn's value chain with a dedicated team forming lasting relationships," says Morten Laerkholm, Global Head of Consumer Electronics in Damco.

"This demanded strong project management and implementation skills combined with vendor-managed inventory and right-on-time capabilities, all supported by advanced IT systems. This was why Foxconn decided to outsource their entire inbound material flow management to us," he says.

Immediate problem solving

There are always exceptions that slow flow such as when some parts have to be screened and reworked. "Flexibility in handling those exceptions, and the ability to adjust capacity to meet peak requirements have been a critical part of our partnership," says Laerkholm, adding: "The effective handling of urgent shipments and immediate problem solving make Damco a strong logistics partner for managing inbound consumer electronics parts."

Damco developed 37,000 square metre warehouses with 40,000 pallet positions and 24/7 response exclusively for Foxconn in Pardubice and Kutna Hora. A joint design of agreed measures and reporting guarantee full visibility of vendor, service provider and warehouse performance.

Daily management reporting ensures that all relevant partners are fully aware of stock levels and exceptions handling.

"We look after freight forwarding by sea and air from around the globe to Pardubice, with retrieval and delivery to Foxconn within four hours of inventory reservation. In addition to this we also offer quality control, urgent shipments and re-packaging as required," Laerkholm says.

4-hour lead time

Damco's solution offers Foxconn full visibility of available inventory and a maximum four-hour lead time from inventory reservation to delivery to one of the nine delivery points at the factory. The 2010 and 2011 deliveries have been made with a full, on-time accuracy average of 99.9%.

"Accuracy in delivery is the key to logistics," Laerkholm points out, "but we're adding even more value to Foxconn. For instance, our joint monthly performance reviews enable our partner to see the inbound performance of every individual vendor both in terms of timeliness, data and material accuracy and quality of shipments."

"We strive to develop new value-adding services that give Foxconn more than they expect. This is how we help our customer's business grow."

THE CUSTOMER

Foxconn is a world leader in the joint design, joint development, manufacturing, assembly and after-sales services to the global computer, communications and consumer electronics industry. The company's factory in Pardubice, Czech Republic, was opened in 2001, and employs more than 5,000 people. Another factory in Kutna Hora was opened in 2008 and employs 2,000 -- with a trend toward 5,000 in the near future.

About Damco

Damco is one of the world's leading providers of supply chain management and freight forwarding services. For more than 100 years, we have been providing customers with logistics solutions that support the way they want to do business, wherever they are in the world. Our strategic approach and hands-on services are extensive and tailored; whether it's a competitive rate for an urgent shipment or a strategic solution to create short-term efficiencies and build up long-term competitiveness. Damco is part of the Maersk Group. More information on Damco and Damco services can be found on www.damco.com.

Damco and consumer electronics

Damco are proud of their dedicated Consumer Electronics team, specialised in developing supply chain solutions along with our customers in the industry. We offer deep market knowledge and experience in operating supply chains -- both up- and downstream.