



“Got a general overview of the situation”

Sandvik Mining & Construction (SMC) designs, manufactures and markets mining equipment and spare parts for demanding customers in over 130 countries. Fast deliveries and a high level of delivery precision are vital competitive tools since the lack of equipment and spare parts can result in substantial downtime costs, and through that, dissatisfied customers.

Sandvik Mining & Construction’s delivery precision was previously insufficient and a general overview, supervision and quality and cost control in the process from order to delivery were lacking. Due to that, and to take advantage of synergies and economies of scale, in 2004 the company decided to establish the new unit, Sandvik Mining & Construction Logistics, which has global responsibility for the process Order-To-delivery – in other words, for the entire logistics flow from warehouses and hubs to end customers throughout the world. A vital success factor for the central logistics organization has been the creation of a logistics control tower that is responsible for driving the comprehensive global transport flows.

“When Sandvik Mining and Construction was formed eleven years ago, the operation consisted of many units and companies with their own brands and own sales and distribution networks. As early as 2002 we started a joint organization for distribution, and two years later our first joint central warehouse,” says Jari Kymäläinen, who is now Global Control Tower Manager at SMC Logistics. The operation is currently based in Ireland, where 45 people have the main responsibility to run and optimize the global distribution from 7 production facilities and external suppliers to customers in the company’s different geographic markets.

Control Tower for overview and supervision

In 2006, Sonat was given the assignment to build up

SMC Logistics’ first central control tower based in Sandviken. Sonat’s ongoing responsibility included responsibility for transport consultation, booking of transports, delivery planning, customs documentation, invoice controls and also analysis, follow-up and development of all this. The control tower was a major success and today serves as a model for equivalent functions that have been built up at SMC’s hubs in Eindhoven, Chicago and Singapore.

“To outsource the function was an easy decision since we wanted flexibility. Sonat’s strength was its solid experience in handling similar functions for other large companies,” says Patrik Nygren, Director Global Freight Management at SMC Logistics.

“Before we took over and outsourced our global logistics we had poor cost control, deficient quality control and lacked the overview and knowledge of where improvement potentials were. By centralizing the transport planning and follow-up we gained control over the processes and developed efficient, standardized processes at the same time that we obtained invaluable competence development,” says Patrik Nygren and adds: “From the beginning we were uncertain if it was possible to outsource all the operative processes to Sonat, but it worked perfectly!”

Increased efficiency and transfer of competence

The concrete effects of the cooperation with Sonat consist of both hard and soft values - both savings and

transfer of competence. The clearest example of savings effects is a strong decrease in error debiting from transporters and more efficient transport planning that has created conditions for the optimal utilization of the operation's transport agreements. In addition, Sonat's personnel have benefited from competence development, process development, and the introduction of control and follow-up systems that identify improvement areas in SMC's business critical delivery process.

"The cooperation with Sonat has worked amazingly well. They have taught us to handle loads of processes and built up a function under difficult conditions. When a decision was made later on to centralize and insource the function to our operation in Dublin, Sonat supported us one hundred percent and handed over the responsibility in a very professional way," says Patrik Nygren.

Delivery precision at 95 percent

"Our goal is to have a delivery precision of at least 95 percent and simultaneously increase cost control substantially," says Jari Kymäläinen and explains that the challenge is in balancing a high degree of service with reasonable costs. In view of this, the logistics control tower is a deciding factor for creating visibility in the logistics flow and therefore speeding up reaction time and reducing the amount of capital tied-up.

"Since 2002, Sandvik Mining and Construction has more than doubled its sales. That growth would not have been possible without a central logistics function with responsibility for global distribution. We now have a considerably better overview and better control of our extensive delivery flows and we can make advanced cost and quality analyses," says a satisfied Jari Kymäläinen. ■

<p>ABOUT SANDVIK MINING AND CONSTRUCTION</p>	<p>Sandvik Mining and Construction (SMC) designs, manufactures and markets mining equipment and spare parts for customers in over 130 countries. Fast deliveries and a high degree of delivery precision are vital competitive tools in the extremely competitive global market. The company has approximately 16,800 employees and is a part of the exchange-listed Sandvik Group.</p>
<p>THE PROBLEM</p>	<ul style="list-style-type: none"> • Too low delivery precision and a too slow process from order to delivery. • Lack of a general overview and control of the global logistics processes. • Insufficient knowledge about quality and costs in the process order to delivery. • Lack of global coordination of logistics and transport flows.
<p>THE SOLUTION</p>	<ul style="list-style-type: none"> • Sandvik Mining and Construction formed the central unit, SMC Logistics, which was given the responsibility for the Order-To-Delivery process – in other words, the entire logistics flow from warehouses and hubs to end customers throughout the world. • The unit's area of responsibility also includes engaging logistics suppliers and ensuring that the processes' sub-areas are operated in a way that provides an overview and control. • The creation of a central control tower solution with global overview and responsibility to drive and develop the logistics flows with a high degree of service and cost efficiency based on standardized processes and a high visibility in the supply chain.
<p>THE RESULT</p>	<ul style="list-style-type: none"> • Substantial cost savings as a result of more efficient standardization processes, synergies and economies of scale. • Overview and control of costs and quality in the process from order to delivery. • Strongly increased accessibility and delivery precision. • Shorter delivery times through better information quality. • Major savings through reduced capital tied-up in inventory. • Better engagement of delivery suppliers and transporters based on increased control of invoices and clearly formulated performance requirements. • A comprehensive transfer of competence that makes new working processes, methods and procedures possible.