



**Ericsson**

## United Solutions customer case



### **At Ericsson Distribution Logistics cost reduction goes hand in hand with environmental awareness**

It is not just the ability of Ericsson Distribution Logistics to reach every corner of the globe that impresses; the enormous volumes transported command equal respect. In 2007 alone, around 108 000 goods deliveries were made. A gigantic logistics apparatus like this needs to have a logistics solution in place that supplies them with tools to control and develop it as new challenges arise. Ericsson Distribution Logistics has this in the form of United Solutions' DCIX.

*"So far, we have never failed to deliver our equipment to the correct destination. Wherever the location is in the world, we have the tool that ensures that our network of distributors delivers," says Carl Westman, in charge of Processes, Methods and Tools at Ericsson Distribution Logistics.*

#### **Challenge and control**

It is not just the ability of Ericsson Distribution Logistics to reach every corner of the globe that impresses; the enormous volumes transported command equal respect. In 2007 alone, around 108 000 goods deliveries were made and the costs for transportation, warehousing etc. amount to approximately SEK 6 billion annually. At present Ericsson is the largest buyer of airfreight in Sweden and one of the biggest in Europe. A gigantic logistics apparatus like this obviously entails a number of challenges, and dealing with these requires having control.

Control of the distributors, the transportation methods and of the costs, these are just some of the areas necessary. Furthermore the goods need to be delivered quickly; the customers have little patience when waiting to put the goods into operation.

#### **Joint project**

At the beginning of the millennium, Ericsson took a strategic decision to outsource the physical part of distribution thereby placing great responsibility for the actual transportation on their third party logistics providers, Distribution Service Providers (DSP). At the same time, Ericsson chose to retain the strategic management of distribution centrally in Kista, Stockholm. To gain the control required over the enormous amounts of data generated by the logistics operations, a solution was needed that not only had the capability of following up routes, invoices and costs but one that could also analyze if the costs were reasonable. Ericsson chose United Solutions' logistics management system DCIX with functions for Reports & Analysis Services; a solution that has been in operation since 2002.

A joint project was promptly initiated to develop a sophisticated system to control information quality that would fulfill Ericsson's requirements.

*"This is extremely business critical for us as decisions based on inaccurate information will likely lead to devastating consequences for us. The solution that United Logistics helped us to develop is equipped with a number of predetermined quality controls to filter out inaccuracies and ensure that we can feel secure," says Carl Westman.*



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### Additions and updates

In 2004, the system was updated with functions to ensure data accuracy and quality and the joint development of the system continued.

*"The latest addition to the system is a solution for performance management that simplifies and develops our capability of following up information," informs Carl Westman. "Amongst other things there is a function that produces special reports to show transportation trends, i.e. the proportion of goods sent by air, sea or road. The system enables employees to produce different alternatives for transport based on tailored reports and data."*

A function for change management has been added and supplies users with tools that enable them to go into the system and correct an invoice. Furthermore a web solution has been created with the aim to decentralize the responsibility for gathering data to the local sales companies which are now assigned the task of providing the system with information.

*"Close to 50 percent of our transportation is organized by the local sales companies, therefore it is crucial to engage them in the system if we are to have control of the flow further down the distribution chain," Carl Westman concludes.*

### Keeping track of costs

Costs for transportation are a constant subject for discussion at Ericsson and the challenges are many. Even though we are all aware of increased fuel costs and shrinking profit margins the opportunities to compensate for these factors in the distribution chain are few and far between. The driving force is not solely focused on reducing costs but goes hand in hand with environmental awareness. The way forward is without doubt to find solutions that divert airfreight to other forms of transportation; to have a system in place that can handle breaking down information into such detail that the comparison of costs and time is possible. Ericsson has this in the form of DCIX Reports & Analysis.

*"Such logistics planning is difficult but not impossible. Our goal is to utilize surface transport in preference to airfreight as much as possible and we are looking at a number of solutions. One would be to fly goods part of the way to their destination before transferring it to ship or train.*

*Hopefully rail freight services will develop more rapidly, so it can be used even for freights between Europe and Asia. For some countries, such as Kazakhstan, we already use rail since it is clearly the best alternative," says Carl Westman.*



### What happens next

Next on the agenda is an adaptation of the system since Ericsson is changing the cost model it utilizes with its DSPs, thus placing heavy requirements on DCIX's ability to handle new volumes of data.

*"We have had an incredibly close and rewarding partnership over the years. United Solutions is nimble and perceptive in regards to our challenges, and furthermore a business partner prepared to invest time and resources to assist us in developing solutions at a pace that agrees with our changing needs. With their help we have a logistics solution in place that is not only an invaluable source of all information, but also supplies us with tools to control and develop it as new challenges arise," says Carl Westman.*

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### About Ericsson

*Ericsson is a world-leading provider of telecommunications equipment and related services to mobile and fixed network operators globally. Over 1,000 networks in more than 175 countries utilize our network equipment and 40 percent of all mobile calls are made through our systems. It is one of the few companies worldwide that can offer end-to-end solutions for all major mobile communication standards.*

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