



## UPS Supply Chain Solutions<sup>SM</sup>

## case study

### SGI Sets New Standards for Global Service Parts Distribution

Silicon Graphics, Inc. (SGI) is the world leader in high-performance computing, visualization and storage solutions. SGI's desktop workstations, servers and software are used in mission-critical applications around the globe. The company selected UPS Supply Chain Solutions to bring advanced technology and scalability to its service parts logistics operations, enhancing SGI's ability to deliver swift and seamless customer service.

#### Client Challenge

Before engaging UPS Supply Chain Solutions, SGI managed all aspects of its service parts support, including customer service. The challenge of balancing its complex inventory with customer needs for rapid response times resulted in high operating expenses.

SGI desired a new distribution model that would more efficiently manage its extensive parts inventory while providing consistent, timely coverage for customers in North America and around the globe. The company challenged UPS Supply Chain Solutions to tailor a new distribution model, incorporating our global reach, advanced technological systems and integrated approach to parts planning and post-sales support.

#### Our Solution

In 1996 UPS Supply Chain Solutions began centralizing SGI's inventory at its logistics and technology center in Louisville, Kentucky. Today, more than 65,000 SGI parts occupy approximately 33,000 square feet of the Louisville complex, which totals more than two million square feet of warehouse space. A network of field stocking locations (FSLs), located strategically throughout the U.S. and Canada, met stringent two- and four-hour service level agreements to serve SGI customers.

UPS Supply Chain Solutions ships an average of 7,000 SGI parts every month worldwide directly out of the Louisville distribution center. Its end-of-runway location allows orders received as late as midnight to make next day package delivery. In addition, the extensive FSL network dispatches some 1,300 parts per month to meet expedited deadlines. Annually, UPS Supply Chain Solutions completes approximately 100,000 orders for the SGI program. Advanced logistics systems facilitate accurate communication of order requirements, status and inventory levels.

## SGI

## High Tech

#### GEOGRAPHIC AREA SERVED

North America, Asia and Latin America

#### CHALLENGE

Improve global delivery of spare parts to increase customer satisfaction, inventory visibility and cost efficiencies.

#### SOLUTION

Implement centralized distribution, field stocking locations, end-of-runway repair, parts planning, advanced service parts technology, and a full suite of transportation and freight services, supported by a logistics network with a worldwide reach.

#### RESULTS

- Centralized distribution of more than 65,000 SGI parts
- Met stringent two- and four-hour service level agreements
- Expanded global coverage
- Reduced inventory costs
- Enhanced supply chain visibility
- Improved customer service
- Accelerated reverse logistics

“UPS Supply Chain Solutions and SGI pioneered the central end-of-runway distribution model. Its success exceeded all expectations,” said Robert Ferrando, SGI Director of Global Logistics.

As SGI’s needs evolve, UPS Supply Chain Solutions keeps adding value to the company’s service parts distribution model. For example, an accelerated reverse logistics system enables SGI field engineers to attach a preprinted label to a part returning for repair and drop it off at any UPS pickup location. The label is encoded with detailed information that can be quickly downloaded with a scanner when the part arrives at the SGI manufacturing center in Wisconsin.

According to Ferrando, “Since SGI outsourced its inventory and distribution functions with UPS Supply Chain Solutions, the company has realized a reduction in inventory costs, increased visibility and accuracy of the inventory, dramatically improved customer satisfaction, and improved overall efficiency in managing parts throughout the supply chain.”

### Expanding Globally

Building on the success of the North American model, SGI selected UPS Supply Chain Solutions as its third-party logistics provider in Asia and Latin America. SGI also benefited from UPS’s extensive small package network in these regions.

As a result, SGI began distributing service parts from UPS Supply Chain Solutions distribution centers and field stocking locations in Asia and Latin America. In addition, SGI’s Latin American customers can use computer technicians trained by UPS Supply Chain Solutions for on-site repair service of selected SGI systems.

UPS Supply Chain Solutions also took on freight responsibilities for SGI, handling the movement of finished products from SGI’s manufacturing facility in Wisconsin to Asia-Pacific locations, including Japan.

“The expanding global capabilities of UPS and our long-term strategic relationship are the primary reasons we continue to expand our business with them,” Ferrando said. “We now want to leverage UPS Supply Chain Solutions’ global network to further improve efficiencies and enhance our customer service in other geographies such as Asia-Pacific and Latin America.”

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—Robert Ferrando

Director of Global Logistics

SGI

For more information please contact us  
1.800.742.5727 U.S.  
1.678.746.4365 International  
info@ups-scs.com  
Visit us at ups-scs.com

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