



UPS Supply Chain SolutionsSM

case study

Providing Vital Equipment and Logistics Support for Tokyo Electron America

Tokyo Electron Limited (TEL) manufactures, sells and services semiconductor production equipment on a global basis. Originally established as an equipment importer, it has grown to over 80 offices worldwide. TEL is recognized as an industry leader in technological development.

Given the mission-critical nature of both the products it manufactures and the industry it serves, TEL reinforces its tradition of product excellence and innovation with an extraordinary commitment to provide exceptional customer service and support. Its U.S. subsidiary, Tokyo Electron America, Inc. (TEA), is no exception.

Client Challenge

In the United States, TEA serves semiconductor fabrication sites requiring immediate service parts around the clock. This urgency is rooted in the staggering cost of customer downtime, where a 24-hour delay can translate into millions of dollars in lost productivity.

Time loss is so critical that TEA's customers require service level agreements (SLAs) stipulating that specific delivery windows will be met. Any failure to meet these crucial delivery schedules may severely impact customer productivity and TEA's high customer service standards.

In addition, the sensitive and highly valuable nature of semiconductor capital equipment requires specialized parts storage with sophisticated security measures. Before outsourcing its service parts logistics operation, TEA handled every aspect of inventory—more than 50,000 parts—internally.

Via its own distribution center in Austin, Texas, the company picked, packed and shipped parts around the country. To increase U.S. market share, however, and remain competitive with other organizations already outsourcing service parts logistics, TEA recognized the need to outsource its service parts logistics with a full-service provider.

Our Solution

TEA selected UPS Supply Chain Solutions as its logistics provider. TEA cited key factors such as the company's knowledge and proven experience and the established service parts logistics network.

Tokyo Electron America

High Tech

GEOGRAPHIC AREA SERVED

North America

CHALLENGE

Position critical spare parts to meet stringent and penalty-based, end-user service level agreements and help expand U.S. market share.

SOLUTION

Implement field stocking network supported by centralized replenishment and dedicated staff. Provide real-time inventory management with system interfaces.

RESULTS

- Service parts delivery commitments at near-perfect levels
- Improved inventory management
- Expanded market presence

UPS Supply Chain Solutions developed a segregated distribution center to accommodate TEA's customized needs. Managed around the clock by a dedicated staff, the center includes specific climate-controlled areas to house the inventory and is supported by a sophisticated security system.

The solution also utilizes UPS Supply Chain Solutions' nationwide network of field stocking locations (FSLs). With FSLs located within a one-hour drive of particular fabrication sites, UPS Supply Chain Solutions enables TEA to stock critical spare parts and meet its contractual time constraints.

Inventory visibility and distribution tracking are facilitated via a dedicated EDI system and Web-based interfaces. A dedicated Web site allows easy access for approved TEA employees to monitor service orders and parts status on a real-time basis, 24 hours a day. As parts are entered into the UPS Supply Chain Solutions system, each is labeled with a unique identification number to create an audit trail for the part throughout the inventory management process. The end result is accurate and seamless inventory control and distribution management.

"Our relationship with UPS Supply Chain Solutions is based on innovation, mutual respect and honesty," says Dean Perrine, Vice President of Customer Support and Service Operations for TEA. "They consistently provide the focus, expertise and competence required to deliver parts to our customers on a reliable, yet flexible, basis."

Since the program began, TEA's customer base has continued to expand, along with the number of FSLs used to support them. UPS Supply Chain Solutions continues to demonstrate network scalability and service levels of greater than 99 percent for TEA, even as the program scope increases.

Within six months of initiating the relationship with UPS Supply Chain Solutions, the results were so positive and dramatic that TEA chose to further outsource all of its U.S. distribution needs to UPS Supply Chain Solutions.

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—Dean Perrine
Vice President
Customer Support and
Service Operations
Tokyo Electron America, Inc.

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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