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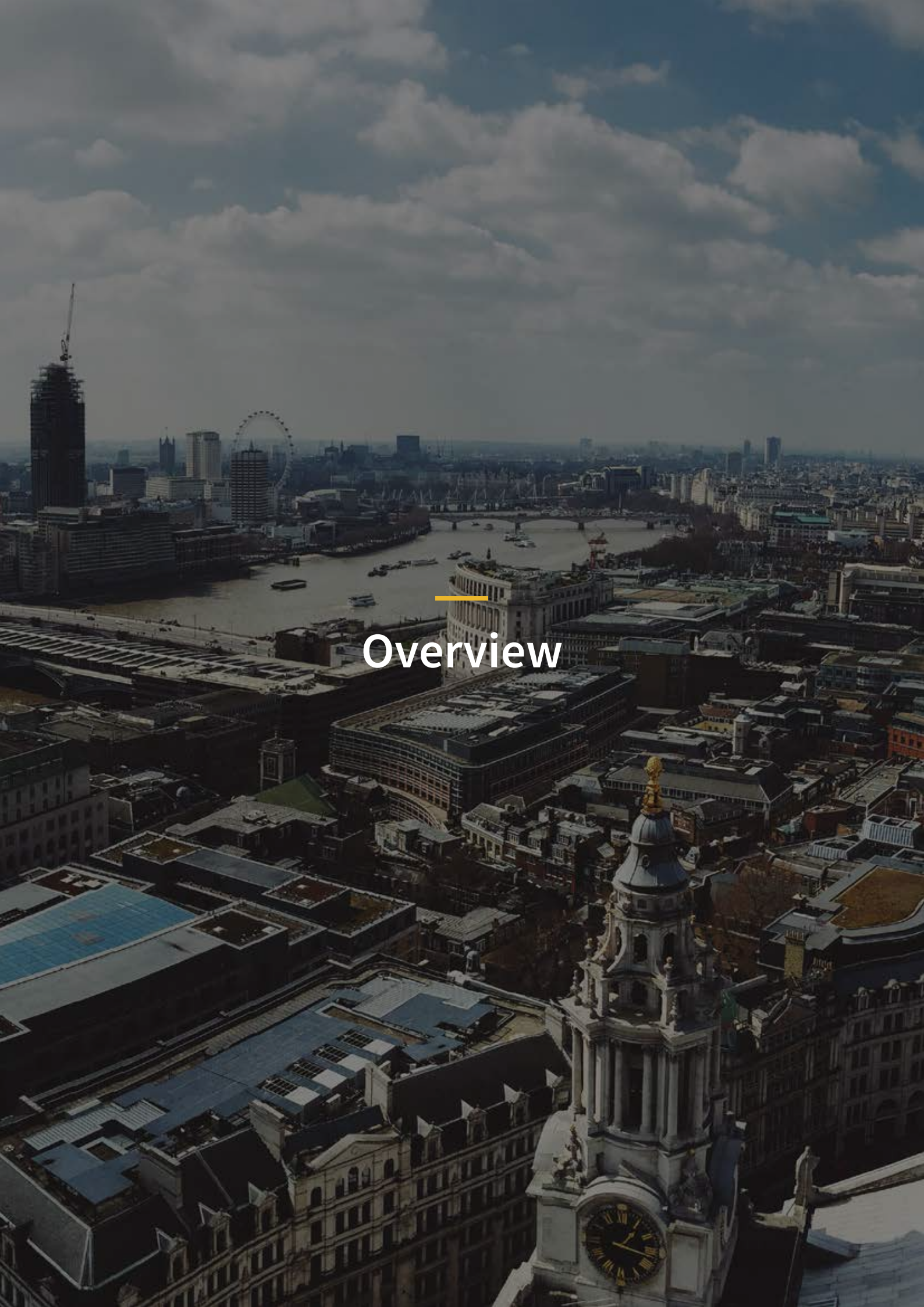
Aftermarket, Not After-Thought:  
**Achieving Success In  
Your Spare Parts Logistics**



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# Overview

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# Overview

## Aftermarket services play a strategic role in increasingly customer-orientated supply chains.

**With high customer expectations, and often critical and fast-paced demands, aftermarket services can be notoriously challenging to manage. They are however, an attractive source of high margin revenue, making vital contributions to a company's financial performance; getting it right can be very rewarding.**

This paper sets to explore the aftermarket sector; its current performance, challenges within it and what can be done to improve it.

### About

The paper was commissioned by Carousel Logistics, an award-winning provider, delivering personalised and highly innovative logistics solutions, and carried out by Analytiqa, the leading business intelligence and market analysis company.

In the first half of 2016 Analytiqa interviewed senior supply chain and aftermarket executives at organisations leading the industrial, energy, aerospace, medical, agricultural and technology sectors. The findings of these interviews is detailed within this white paper.

### Will this paper be of benefit to you?

Whether you're a head of supply chain, aftermarket director, field service technician or the MD, this paper is a unique insight into how market-leading businesses manage and measure services supporting their aftermarket proposition. Discover:

- What major companies view as the biggest challenges
- How they choose and then rate performance of aftermarket
- The value placed on the end customers' experience in a competitive landscape
- Thoughts for the future of aftermarket management best practice.

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# The headlines, and the questions they raise

## Customer experience matters to sustainable success

The focus on value for the customer is a key factor in aftermarket logistics management and partner selection

- Are businesses aware of all the logistics options open to them and how choosing the right partners will help them best serve customers and gain competitive advantage through service excellence?

## Logistics services performance – satisfactory, but with clear room for improvement

There is a level of satisfaction with logistics performance as part of aftermarket solutions, but an awareness of a need for improvement in areas such as service options, flexibility and technology

- As B2C experiences continue to drive B2B customer expectations higher, what is the cost of ‘good enough’ in a competitive, SLA-driven landscape?

## Each solution is unique: one size does not fit all

There is no ‘standard’ aftermarket supply chain, with layers of requirements specific to each set of operations and a need to meet the individual needs of customers

- How do you simplify and manage a supply chain with multiple layers of requirements to meet the needs of individual customers?

## It’s good to talk. But we need to ‘talk’ more with less time

Communication, or lack of it, is a significant contributor to the failure to optimise operations but supply chain management is already a challenge

- Should aftermarket practitioners look externally to ease pain with support and technology?

A man with a beard and short dark hair, wearing a light blue button-down shirt, stands with his arms crossed in a warehouse. He is smiling and looking slightly to the right. The background shows industrial shelving and a bright light source. A small yellow horizontal line is positioned above the text.

## Executive Summary

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# Executive Summary

**This report was commissioned by Carousel Logistics to examine the role of aftermarket services in customer-service supply chains.**

**It explores the critical factors required in managing aftermarket solutions, the current level of performance being offered by logistics service providers and where improvements can be made, what ‘best practice’ in aftermarket services looks like and where there were critical pain points and challenges that need to be addressed.**

Aftermarket supply chains can vary significantly between, and even within industry sectors; from shipping many thousands of consumable parts on a monthly basis, to a handful of critical, high value components keeping an aircraft, generator, or medical device in action.

Those providing aftermarket services not only have KPIs, SLAs and costly penalties to consider, but the consequence of failure could also damage their brand reputation too. This means that volume isn’t always the biggest consideration, as customer experience is also becoming an increasingly important factor within aftermarket delivery.

The research commissioned by Carousel Logistics and carried out by Analytiqa draws attention to that as the B2B world becomes increasingly consumerised, it is more and more important for businesses to distinguish themselves through customer experience. Aftermarket services and support can be a key differentiator for businesses used to gain a valuable competitive advantage, not only in terms of financial gains, but also via long-term brand loyalty too.



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# Key findings from the report:

## 1

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**76% of businesses rate aftermarket solutions as 'very important', with the risk of failure being driven by cost and customer experience.**

Cutting costs cannot be done to the detriment of the customer experience and this means, in today's world of logistics, a balancing act between capability, efficiency and customer service is required.

## 3

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Providers must **prioritise a greater range of services** and **demonstrate sector best practice** across all areas.

## 5

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**85% of companies face an element of 'pain' in their aftermarket supply chains, manifesting in declining customer satisfaction and retention rates.** A lack of communication was found to be a key contributor to this, so logistics providers must tackle the issue of communication, both externally and internally to departments, aligning with resource and tackling pain points effectively.

## 2

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**Current service levels in logistics are 'acceptable' but there are significant areas which require vast improvement** preventing businesses from achieving better outcomes.

The main reason for this is due to the increasing emphasis being placed on customer experience excellence.

## 4

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Varying client and end-user expectations means that **flexibility of service is critical for logistics providers** to support aftermarket customers, as there isn't ever a 'standard' or 'one size fits all' aftermarket supply chain in today's market.

A man wearing a blue work jacket with yellow reflective stripes and a yellow hard hat is looking at a smartphone in his right hand and a tablet in his left hand. He is standing in a field with a large white wind turbine in the background under a clear blue sky. The image has a semi-transparent dark blue overlay.

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# Critical Factors In Managing Aftermarket Solutions

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# Critical Factors In Managing Aftermarket Solutions

## What did we want to find out?

We set out to understand what matters most when it comes to selecting and managing logistics partners to support aftermarket solutions.

## Customer service is critical to business success

It can be a lucrative alternative revenue stream, with both goods and service chargeable assets, so it's no surprise that **76% of respondents rate aftermarket solutions as 'very important' to their business.**

The challenge is ensuring the running costs of aftermarket solutions do not eat the profit. But as respondents to the white paper told Analytiqa, it's not a case of saving hard costs at every opportunity as this can equally impact on long term profitability if customer loyalty suffers as a result of compromised service.

**“ Respondents to the research described the need for balance between capabilities, efficiencies and customer service, with this frequently recognised by senior management respondents. ”**

It's also acknowledged that today the role of finance and procurement within a business has surpassed pure cost efficiencies in order to evaluate the wider value from suppliers and partners – perhaps because added value and service is at the core of their own value proposition within the aftermarket industry.

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**“I think the most important metric is the impact it has upon customer satisfaction. This ultimately decides whether a customer renews business with us or moves to a competitor, which in turn impacts revenue and profitability.”**

Survey respondent

## Managing aftermarket supply chains

For every company that is ‘in-tune’ with their aftermarket operations, where there is almost no separation of activity as aftersales services go hand-in-hand with manufacturing to create one continuous service solution, there is a company that is failing to optimise operations and realise the full potential of this part of the supply chain.

Although most opt to retain warehousing in-house, Analytiqa’s research highlights that the distribution of parts is almost exclusively outsourced across a mix of service providers. This was the case in over 95% of supply chains across the diverse sample of respondents. These service providers vary from courier to freight forwarding and other in between – as we see elsewhere within this paper, each aftermarket supply chain has its own unique circumstances and customer requirements, driving this variety of supplier types.

The length of relationships with logistics suppliers varied throughout industries. **Whilst some companies told Analytiqa they take a transactional approach, others seek to build more engrained partnerships with their service providers with around 70% opting to set out longer term agreements, defined as more than three years.**

Both transactional and engrained approaches have not precluded lengthy associations however, with logistics service provider relationships dating back 10 years or more accounting for more than half of all ‘long term’ associations.

**95%**

OF RESPONDENTS  
OUTSOURCE ACROSS A MIX OF  
SERVICE PROVIDERS

**76%**

OF RESPONDENTS RATE  
AFTERMARKET SOLUTIONS  
AS ‘VERY IMPORTANT’  
TO THEIR BUSINESS

**70%**

OF OTHER COMPANIES,  
OPT TO SET OUT LONGER  
TERM AGREEMENTS, DEFINED  
AS MORE THAN THREE YEARS.

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## Is there a lethargy towards changing service provider?

Importantly, with B2C technological developments and service levels driving B2B expectations, could aftermarket service providers be limiting their options if failing to regularly explore what the market has to offer?

This paper explores satisfaction with logistics partners further in section 'Rating Logistics Performance in Aftermarket Solutions'.



Read more about the satisfaction clients have with logistics partners in our chapter on 'Rating Logistics Performance in Aftermarket Solutions' (page 13)

**Whilst benchmarking and reviewing supply chain operations can require investment in time alone, the costs of not doing so when the market is changing and growing significantly can have far greater financial and operational consequences.**

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## Key takeaways

**1**

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76% of respondents rate aftermarket solutions as 'very important' to their business

**2**

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Management of logistics and supplier choices are heavily driven by customer experience and the consequence of aftermarket failure, not just cost

**3**

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Logistics partners must be able to keep pace with today's increasingly consumerised landscape to add value and support aftermarket practitioners achieve customer service excellence

An aerial night photograph of a city, showing a dense urban landscape with numerous buildings and a prominent, multi-level highway interchange in the foreground. The city lights are visible, and the highway is illuminated by streetlights. The text is overlaid on the center of the image.

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# Rating Logistics Performance In Aftermarket Solutions

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# Rating Logistics Performance In Aftermarket Solutions

## What did we want to find out?

**We wanted to measure the performance of logistics service providers when it comes to supporting aftermarket solutions as well as identifying how and where improvements can be made.**

## Performance is satisfactory, but can be better

Analytiqa asked industrial, energy, aerospace, medical, agriculture and technology companies to rate their aftermarket supply chain performance. The research asked participants to assess individual elements of their supply chain and then provide an overall satisfaction rating. With an overall score of 7.6 out of 10, aftermarket operators are fairly happy with the performance of their operations. Interestingly however, the average score from each of the separate elements scored higher than 7.6.

**Whilst a score of 7.6 shows logistics is performing to a good standard, respondents acknowledged that there are faults and obstacles preventing them from achieving better outcomes and optimising the relationships they have with their own customers.**

**“We collect feedback on a day to day basis regarding relationships with our service providers, in terms of company culture, their attitude and responsiveness.”**

Survey respondent

7.6	OVERALL SATISFACTION
8.3	RELIABILITY
8.3	PERSONAL RELATIONSHIPS
8.0	OPERATIONAL EFFECTIVENESS
7.8	CUSTOMER SERVICE
7.5	EFFICIENCY

Average performance satisfaction scores (out of 10)

## Improvements to be made

Most commonly highlighted areas for improvement, identified by around 40% of companies, were visibility issues, including exception management and support structures. Around one-quarter raised technology, both internal and that of their service providers, as an important area to improve. Other commonly highlighted concerns covered inventory management and a demand for logistics partners to be able to offer a wider portfolio of services.

Whilst the service provided across the sector generally scored well, there is definite awareness of room for improvement, which begs the question as to whether aftermarket operators are settling for ‘second best’ or whether there’s a lack of awareness of better options.

Referring back to this paper’s section on ‘Critical Factors in Managing Aftermarket Solutions’, where customer service was noted as key to aftermarket success - what is the cost of ‘good enough’ in an SLA-driven, competitive landscape?

## How else did logistics suppliers rate?

Aftermarket operators rated their supply chains best for reliability (on-time metrics and consistency of performance) and the personal relationships they have with their service providers. Following this, operators rate their supply chains’ operational effectiveness (processes and transparency) and customer service (account management by service providers) as the third and fourth ‘best’ elements of their operations.



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**“We use all sorts of logistics service providers globally. They are generally OK at the moment, but our experience tells us that it could go wrong at any time. We have to switch around because the companies often don’t live up to their promises.”**

Survey respondent

Analytiqa found that aftermarket operators are failing to maintain awareness of the solutions available to them in the marketplace. In turn, this makes it more challenging in trying to achieve optimal performance, higher satisfaction and improved commercial performance with their own customers.

**During this research respondents were clear in the realisation that the cheapest, or lowest cost solutions would not provide the best outcomes. Therefore respondents were asked what they believe they need in order to improve service levels across their aftermarket supply chains. Respondents disclosed to Analytiqa that they require:**

- Higher quality and more proactive communication from service providers
- Greater service flexibility in collection and delivery schedules
- Better use of technology to enhance visibility of stock and improve reporting
- Expanded service solutions, encompassing both over-night deliveries and reverse logistics.

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## Key takeaways

**1**

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Though respondents said performance is acceptable, they cited common themes where it could be better

**2**

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Whilst companies may track service metrics, they are less aware of sector best practice in performance

**3**

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Flexibility, a greater range of services and communication were highlighted as areas for improvement

A hand holding a string of colorful lights against a bokeh background. The lights are in various colors including white, yellow, and red. The background is dark with many out-of-focus light spots.

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**Understanding  
What Best Practice  
Looks Like**

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# Understanding What Best Practice Looks Like

## What did we want to find out?

**We sought to understand what best-in-class logistics might look like and how the often intricate and demanding nature of aftermarket supply chains impact upon service provider management.**

## Each solution is unique

In an ideal world this research paper would neatly outline what the exemplary aftermarket logistics solution looks like. However, Analytiqa found there isn't necessarily one that exists. **Or more accurately, there isn't a one-size-fits-all carbon copy businesses can pick up and replicate.** And the reason is one that can be a somewhat irritating answer to a question: 'It depends'.

It depends on the goods, it depends on internal resource and capabilities, manufacturing and distribution locations and most of all, it really depends on what the customer wants. It stands to reason then that in this paper's section on rating supplier performance, respondents highlighted they wanted flexibility and a range of services.

The size and sophistication of aftermarket service solutions varies considerably, both between and even within industry sectors and this will continue to be a key characteristic of the sector moving forwards. There are however, things that can be learned from other businesses with commonalities, and it's not to say there aren't solutions that exist for unique needs.

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**“We need greater flexibility in terms of pick-up times for collections. They can improve. We have one per day at the moment and we have to accommodate our service provider. It is not a big disruption but our customers are demanding more flexibility from us.”**

Survey respondent

## **Value cannot be measured by volume**

Whilst Analytiqa’s research explored companies spending tens of millions of pounds annually, shipping hundreds of thousands of parts per month by parcel, pallet or crate to customers, dealers and distributors, at the other end of the scale **businesses may also or alternatively distribute just a handful of critical parts on a less frequent basis that will be no less vital or time critical; in many cases even more so, particularly where SLAs are in place.**

Add to the mix a variety of parts’ sizes and dimensions, multinational geographical responsibilities, which can add elements of shipping and customs challenges, not forgetting reverse logistics, and very quickly an intricate web, mapping a very unique supply chain with a large number of touchpoints and suppliers is at play. And this all requires investment of time, capital and personnel.

For those companies spoken to by Analytiqa, that are operating a significant reverse logistics activity, around one-third say there is scope for improvement in managing these processes, most frequently around managing material flows and the visibility of materials in this part of the supply chain. Again, this is not necessarily the biggest in terms of volume of products in the supply chain, but represent vital assets which need to re-enter the loop stock quickly and efficiently. The reverse process also presents further opportunity to demonstrate excellence in customer experience. Once again, consumerisation through a boom in online retail is driving B2B customer expectations higher.

**“The reverse process also presents further opportunity to demonstrate excellence in customer experience.”**

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## Managing a supply chain with varying levels of requirements

Managing a relationship with logistics solutions providers should not be an onerous task.

However, **when a supply chain requires relationships with many different service partners, logistics professionals told Analytiqa that additional layers of complexity are added and they often struggle to monitor and measure. As a result, they also struggle to maintain consistency of performance across their service partners.**

Ultimately those delivering an aftermarket service should be concentrating on their own customer-focused metrics, trusting in their supply chain partners' ability to competently fulfill their role in the chain.

For their part, whilst there is no 'off-the-shelf' system, a proficient supply chain partner must be able to deliver 'Service Competency Plus' bringing with them the benefit of 'best practice' to its customers' operations, utilising and drawing upon the expertise it has gained from working with other businesses across industry sectors to add greater value to each individual supply chain.

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## Key takeaways

### 1

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There is no 'standard' aftermarket supply chain, with unique layers of requirements and customer expectations in each company and industry sector

### 2

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Flexibility in service provision is critical to aftermarket customers. Logistics providers must therefore adapt to unique supply chains, tailoring services to meet each customers' specific requirements

### 3

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A key challenge is simplifying an integrated supply chain with multiple layers of requirements without increasing head count and consuming more time



**Pain Points  
and Challenges**

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# Pain Points and Challenges

## What did we want to find out?

In this section we sought to uncover the specific areas of difficulty in aftermarket supply chains, internally and externally.

## Majority of businesses face pain in aftermarket supply chain

Across the industrial, energy, aerospace, medical, agriculture and technology sectors, our research sample highlights that around **85% of companies face an element of 'pain' in their aftermarket supply chains**. These are challenges impacting upon performance – a part of their operations that do not run as smoothly as they would like.

The research highlighted that 'pain' is just as likely to be internal as external. Communication, or lack of it, and the management of inventory and warehouse operations as common internal issues, sit alongside partner management as the major 'pain' points identified within aftermarket supply chains.

**Combined, these issues account for around 80% of the 'pain' felt by respondents to our research.**

# 85%

OF COMPANIES FACE AN  
ELEMENT OF 'PAIN' IN  
THEIR AFTERMARKET  
SUPPLY CHAINS

# 80%

OF ISSUES ACCOUNT FOR THE  
'PAIN' FELT BY RESPONDENTS  
TO OUR RESEARCH

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**“There are always issues around our stock management and how we optimise locations. It is a mammoth task for us. It can cause headaches. Sometimes we see stock moved from A to B and then back to A again.”**

Survey respondent

## **Communication: an internal and external challenge**

From an internal perspective, a lack of sufficient communication between departments, operating divisions and (sometimes multinational) locations acts a significant inhibitor to supply chain performance and customer experience. **These internal communication issues can also be exacerbated and made more difficult to resolve by external issues, such as a lack of information and data sharing from supply chain partners. Respondents to this paper also raised communication from suppliers as an areas for improved performance.**

Today we are all pressured in terms of time, and as covered further below, management is already presenting challenges, so any external factors which could help avoid further onslaught of emails and meetings would surely be a welcome suggestion.

### **Should we be looking to technology and data to alleviate pain, enable smoother communications and deliver greater foresight to avoid pitfalls?**

Elsewhere, the research identified that the management of numerous and sometimes over-complicated inventory flows between company locations, SKUs and product obsolescence result in warehouse operations that are frequently the cause of supply chain inefficiencies.

For those companies sending aftermarket parts across international boundaries, trade compliance frequently causes major headaches as it is often the case that the customer feels obliged to step in and resolve issues that they are not immediately accountable for.



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## Is there a universal pain?

Our research suggests that the type of ‘pain’ observed by companies with aftermarket operations can often be dependent on who, within an organisation, you speak to. Whilst on occasion, ‘pain’ can be self-inflicted with ‘second choice’ solutions in place at a specific business unit or location for the ‘greater benefit’ of an organisation, it is apparent that different job titles within a business will prioritise different types of ‘pain’.

At higher levels of an organisation, the ‘pain’ is most likely to be financial, whilst elsewhere the ‘pain’ is more likely to be one or two steps removed from the numbers, at an operational, or commercial level.

Given these findings, it was then identified by Analytiqa that not all organisations ‘join up the dots’ to ensure that all departments, job titles and business functions are fully aware of the different types of ‘pain’ that sub-optimal aftermarket supply chains are exposing their business to.

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## Key takeaways

### 1

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Aftermarket challenges are just as likely to originate internally as they are to be external

### 2

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The majority of respondents managed warehousing internally but this was found to be a common pain point

### 3

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Information sharing from supply chain partners and between departments internally is a key issue to align resource and tackle pain points

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## About Carousel Logistics

**Carousel Logistics creates innovative and highly personalised logistics solutions, trusted by leading brands across the world.**

Unlike traditional logistics companies, who are limited to offering rigid and fixed services, we are redefining the industry by putting the customer back at the heart of logistics. Combining our expertise, integrated suite of technology services, unrivalled partner network and passionate client experience teams we create intelligent and flexible solutions that enhance your business. From day one we deliver the highest quality of service with greater efficiencies, improve your customer experience that ultimately gives you powerful and sustainable competitive advantage.

With more than 30 years innovation, experience and proven track record for success we deliver world-class solutions for our industry leading clients and their customers

**To find out more, visit the website: [www.carousel.eu](http://www.carousel.eu) or to speak to one of our trusted experts call 01795 413602 or email [findoutmore@carousel.eu](mailto:findoutmore@carousel.eu)**

## About Analytiqa

**Analytiqa is a leading business intelligence and market analysis company that assists clients across the supply chain to grow and profit in challenging and competitive markets.**

Analytiqa provides published reports, databases, bespoke research and consulting services for clients on a global basis, along the length of the supply chain, across multiple industry verticals.

Analytiqa's client base includes 3PLs, manufacturers, retailers, property companies, truck manufacturers, software companies, professional services companies and many other associated service providers.

**For more information, visit: [www.analytiqa.com](http://www.analytiqa.com) or contact: 01707 37 22 11 to speak to a member of the team.**



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