Case Study

Snack Manufacturer Rebuilds Transportation Strategy for Today’s Market

A rapid assessment exposed hidden inefficiencies and set new business rules that delivered a 20:1 ROI.

The Challenge

Shrinking labor, unstable transportation markets, and a fragmented logistics strategy

The Solution

A Rapid Assessment revealed opportunities to leverage Freight Audit & Payment data to structure a Truckload RFP.

The Result

Clarity in structure and negotiations that resulted in a 32% overall savings- equal to $1.2 Million

Company Background

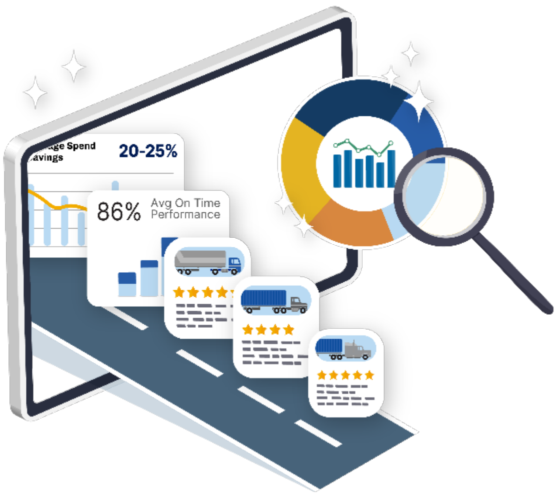
A west coast snack food company on with customers located throughout the country was manufacturing and distributing from both the west coast and the Midwest.

Covid caused their workforce to shrink, which was exacerbated by the transportation issues the pandemic brought with it. This resulted in increased costs and reduced profits. Management brought in our supply chain team to study their logistics and transportation operations, as they felt that their incumbent managers lacked the skills to develop and employ the strategy and tactics needed to compensate for the current situation. They generated long list of deliverables, including help in a planned RFP for truckload transportation.

Rapid Assessment

Our initial analysis showed that the warehousing and distributions operation were well run, and recommendations for improvement included a few minor safety issues along with the need for current goals and performance metrics to be publicly displayed for the employees. It was confirmed that the transportation operation was being negatively affected by the trucking capacity shortage and price increases, compounded by a 30% staff shortage in operations.

We also found that their transportation manager had the knowledge, skill, and leadership abilities to run the department effectively, but was being hampered in 3 areas. Fixed transportation rates were no longer being offered by most of the trucking companies, which meant most shipments were being brokered through the spot market. The inability of manufacturing to meet their planned product production schedule resulted in about 50% of all arranged transportation to be rescheduled daily. Finally, local accounting practices only



captured a total transportation cost number and did not break out fuel or other accessorial charges, which made any logistics analysis very difficult.

Business Rules & Truckload RFP

Our supply chain team provided recommendations for the broken processes in accounting, how to leverage freight audit & payment data to improve operations and structured the truckload RFP process that called for six-month fixed cost per mile pricing, and consistent fuel surcharge scales accessorial pricing to be used by all carriers. The RFP focused on 68 lanes of regular traffic and was distributed to 32 carriers and brokers. Returned bids were analyzed, and optimized lane assignments resulted in the selection of 16 total providers for their manufacturing facilities. Acceptance of the assignment required the carriers and brokers to commit to the fixed pricing throughout the six-month period, the fuel surcharge scale, and the accessorial pricing.

During the carrier onboarding process, performance and reporting requirements were defined, as well as penalties for failure to adhere to certain requirements. All carriers agreed.

Return on Investment

The potential improvement for the immediate 6 months was a 12% savings or $1,058,000, which is an annualized project ROI of greater than 20:1. Additionally, selected SOPs were re-written where needed and created where missing. A recommendation for outsourcing freight audit and payment was provided which would greatly improve the current audit process and provide the much-needed information database with all transportation costs broken down for enhanced analysis ability.

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