

Delivered additional profit of US\$ 30,000 per annum to customers by reducing freight cost in the supply chain process

BUSINESS CASE

Organization trends

- The organization dispatches finished goods to its customers directly from its production plant
- While the customers pay for the freight expenses, 90% of the customers prefer the organization to book the logistics provider and negotiate with them on the freight cost

Customer trend

- On an average 8 customer complaints per month around higher freight cost of the organization vis-à-vis its competitors have been received

CHALLENGE

What and how much is the challenge

- The increase in the inflation has led to an increase in the supply chain costs
- In the last fiscal year the freight cost has increased by 8% for customers
- Following operational issues identified in the dispatch process:
 - Availability of vehicles need to be checked for every dispatch
 - No antecedent contract with any transport contractors
 - Last moment negotiations result in a higher cost
- Process not documented with happy flows and exception flows
- To maintain 100% OTIF (On time in full)
- Provide competitive freight cost to the customer

Where is the challenge

- At the production plant

IMPACT

What is the impact

- 20% of the dispatches are delayed
- On an average, customer pays 11% higher freight cost vis-à-vis its other suppliers, which has impacted customer satisfaction levels
- Decrease in sales orders over the last 6 months due to delayed delivery and increased costs for the customers

TARGET

What is the Target

- Reduce the freight cost by 12% as it creates a competitive advantage and elevates the customer satisfaction levels
- Increase OTIF to 100%

OUTCOMES

Improved Profits

- Delivered additional profit of US\$ 30,000 to customers, through reduction in freight costs by 14% against the targeted 12%
- Improvement in OTIF by 10%
- Increased Truck capacity utilization by 7%

Employee Engagement and Satisfaction

- Change in supply chain process has reduced the need for working overtime for the supply chain staff
- Decision making has been improved by implementing happy flows and exception flows

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