TACTICAL VS. STRATEGIC LOGISTICS MANAGEMENT: AN INDUSTRY TRAPPED IN TIME

BACKGROUND

A national hardware company used a well-recognized third party logistics provider (3PL) to fulfill its supply chain needs. Order capture was through an online portal, however routing guides and reporting were Excel-based and manually controlled.

The third party primarily functioned to support freight payment. After implementation with the 3PL, the shipper saw no improvements or cost savings beyond a small change in immediate transportation spend. The shipper knew change was needed but didn't have the resources to identify efficiencies.

SITUATION

At the time of its engagement with the 3PL there was no waste being eliminated and no time being saved. Throughput and workload were not improved, claims and processing were not impacted, and compliance was not well monitored.

TMS BASELINE

From an omnichannel standpoint, TMS users see better year-over-year growth in both revenues and margins. Margins are especially important when looking at the role transportation plays in overall costs. Additionally, TMS users outperform their peers in terms of on-time order fulfillment.

8.7% VS. **7.3%**
GROWTH IN REVENUE

7.3% VS. **6.1%**
GROWTH IN MARGIN

92% VS. **87%**
INCREASE IN ON-TIME FULFILLMENT

Source: Cunnane, Chris. "Transportation Today: Why You Need a TMS to Thrive" 18 Nov. 2015, logisticsviewpoints.com

The hardware company wasn't receiving much in the way of reporting, strategic account support or continuous improvement efforts. On top of this, the tariff-based rates were misrepresenting the market, ensuring the arrangement was not sustainable.

The customer recognized its supply chain was being poorly managed by its current supplier with key issues being; a tactically focused approach to managing the business, little to no proactive communication, limited data availability, no focus or plan for continuous improvement, and a lack of reporting and analytics. The company began to feel the relationship with its 3PL had grown stale, so it reached out to Schneider for help.

SCHNEIDER SOLUTION

Schneider's logistics team quickly recognized the lack of continuous improvement being driven by the current 3PL and opened a discussion with the customer to understand the needs of each key stakeholder: sales, account management, customer service, operations, accounting, finance and key decision makers.

Schneider then got to work educating the customer on the various levels of proficiency available within TMS platforms and providing expertise on how it could be taking advantage of clean information management to improve business operations and increase savings.

Through mutual collaboration, Schneider was able to identify an optimal solution to not only address, but improve upon the discovered needs of the business.

RESULTS

By matching service needs to the best platform and applying Schneider's 80+ years of industry expertise, Schneider produced a 22% reduction in transportation spend versus the shipper's baseline in the first year alone.

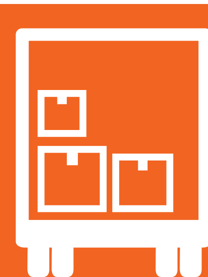
Key items driving the improvement:

- 62% ROI totaled from multiple improvement initiatives
- 28% savings resulted from determining accurate freight class for LTL movements
- 24% savings achieved through a bid to update stale tariffs
- 14% savings created by replacing low-performing and high priced service providers

Key cost-savings:

- $211,000 savings achieved by implementing demand-based shipping
- $33,000 savings realized by implementing a supplier compliance program to address previously low-weight/set cadence truckload shipments that were occurring
- $24,000 annual savings by converting some truckload shipments to intermodal; this year-over-year number will increase as the customer's network changes and as new opportunities are identified
- Projected savings of $246,000 are also in place through reducing the inventory buffer; reducing shipment frequency and allowing for higher utilization and higher weight shipments

Additional changes that have resulted in savings are the modification of business rules regarding which carriers move shipments to end customers. Scorecarding and analytics were also put in place to evaluate miles run in the network, the implemented cost per pound (previously being calculated manually, now Schneider tracks and trends weekly), and the supplier scorecard which allows for direct follow up with non-compliant vendors.



62% ROI

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FREIGHT CLASS
SAVINGS

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STALE TARIFF
SAVINGS

14%
PROVIDER
SAVINGS