

**Reducing Logistics Costs: Strategies**  
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**An essential ingredient to logistics  
cost reduction:**

***Collaborative Effort :***

***Treat people well and profits will follow.***

**Listen to your people. They have great ideas.**

Reducing logistic costs is often the number one priority for a businesses' bottom line.

There are many methods that can help improve supply chain processes and in turn save a business money.

Methods of reducing logistic costs can range from optimizing inventory levels, to re-charting better shipping/transport networks, to creating better processes, to improving supplier/third party relationships, proper automation and so on.

- Focus on Labor Costs
- Focus on Production
- Focus on Preventative Maintenance
- Focus on Automation
- Focus on the Use of Systems & Tactical Technology
- Focus on Suppliers for Logistics Cost Reduction
- Focus on the Customer
- Focus on Outsourcing
- Focus on Warehousing costs can be a significant part of a company's overall logistics spend...
- Focus on Transportation (Distribution) costs can be a significant part of a company's overall logistics spend...
- Logistics Cost Reduction by Focusing on Safety

Thank You !

## **Focus on Labor Costs**

LABOR Encourages organized operations, which is directly linked to labor efficiency, asset utilization, and inventory accuracy.

Analyze labor reduction for any manufacturing or warehousing operation. Every project should focus on labor costs.

There are Labor Management Software systems that can help manage work in the warehouse. Incentive programs for warehousing employees do work. So do projects that automate repetitive, structured tasks, like light or voice-directed picking, carousel storage, robotics, etc. Try warehouse mobility in your four walls. You will reduce overhead costs. It will increase individual productivity; you need fewer staff members and less equipment.

## **Focus on Production**

- **Inventory** – over production of goods which might require huge costs in storage, space consumption, packaging costs etc.
- **Motion** – unnecessary movement if workers have to access equipment or tools in various locations of the company to do their job – time and money wasted. At times, it requires to redesign the warehouse floor plans and have everything thing at their disposal in one location.
- **Waiting** – Due to un-synchronized or breakdown in interdependent processes, poor technical support etc. leads to loss of time and missed opportunities.
- **Over-Processing** – Caused at times by lack of standard operating procedures every employee performing a task as they see fit or using wrong equipment for a task.
- **Overproduction** – Too much inventory causing inventory costs due to lack of demand & supply data.
- **Low production(cost of low production)** – Low production is also having cost implications
- **Defects(cost of poor Quality)** – Due to poor quality control and quality assurance measures results in defective products, returns, law suites.

## **Focus on Preventative Maintenance**

To save money on any equipment, implement **Preventative Maintenance as a way to achieve logistics cost reduction**. Reactive fixes/maintenance do not work. In the middle of a job, you have an equipment breakdown. This can be costly in man hours, customer service (goods needed cannot be processed), accidents (safety): unloading a container and the forklift dies: the pallet slips off the forklift tines which can injure employees.

## **Focus on Automation**

“For companies to reduce logistics costs, automation is key. Regulating, automating and optimizing manual processes can reduce staff requirements, centralize production operations to lower-cost areas and create a more proactive approach to ensuring customer satisfaction, all while providing scale and controlling costs. With an automated, cost-effective transportation and logistics system, a company can implement major strategic changes to provide visibility, reduce costs and increase customer service levels. Plus the emergence of cloud-based technologies have made this considerably easier/more affordable than ever before; so even small companies can take advantage.

Keeping the per order cost of logistics support low requires keeping customers happy (so companies keep them as customers). By maintaining customers' satisfaction, companies can keep business up and therefore, spread out the cost of logistics support over a greater number of orders/customers. Because of this direct correlation between customer satisfactions and overall cost reduction, customer service should be factored into any measurement of changes in logistics costs accordingly.

When the appropriate tools to manage complexity and guarantee visibility are in place, organizations have greater opportunities to continuously create operational efficiencies, keep customers happy and improve the bottom line.”

## **Focus on the Use of Systems & Tactical Technology**

An excellent [Warehouse Management System](#) (WMS) can help reduce costs by automating cycle counting, and maintaining location control. The layout of your warehouse can save you money. Try a velocity layout. [Product slotting](#), or having top demand SKUs near shipping, will reduce the cost of picking and put away. When demand changes, you have to re-slot.

What does the future hold for Warehousing: look to [Robotics](#). This emerging trend of technology use will continue to weed out inefficiencies and further logistics cost reduction but also allow for a more [strategic mindset in logistics](#).

Anything that reduces returns, [Return Merchandise Authorizations](#) (RMAs), Return to Vendor (RTV) or [Reverse Logistics systems](#) can aid in logistics cost reduction. A cross-functional Material Review Board (MRB) will reduce the need for additional space by reviewing obsolete, non-moving and slow moving inventory monthly, and sending disposition recommendations to top management. Take the necessary time to include MRB monthly.

A [Transportation Management System](#) (TMS) optimizes freight to utilize the most effective lanes and routes.

*For companies to reduce logistics costs consider **automation**. Use a Warehouse Execution System (WES) combining WMS and a Warehouse Control System (WCS). Regulating, automating, and optimizing manual processes can reduce staff requirements, centralize production operations to lower-cost areas and create a more proactive approach to ensuring customer satisfaction. With an automated, cost-effective transportation and logistics system, a company can implement major strategic changes to provide visibility, reduce costs and increase customer service levels.*

## **Focus on Suppliers for Logistics Cost Reduction**

For the best supply chain or logistics cost reduction one must [Collaborate and partner with Suppliers to help reduce costs](#). Suppliers can sometimes absorb direct logistics costs. Create a consortium of buyers (a client and several of their suppliers) to buy needed logistics supplies (i.e. transportation fuel) at a reduced cost that comes with buying in greater quantities.

Be bold and try the [Supplier Day Conference](#): invite suppliers to your facility with a structured agenda. One topic is to Value Analyze your products and for all involved to submit logistics cost reduction ideas. The Supplier is the specialist in their area of expertise. They can help by working with you and being creative in a win-win cost reduction program. Retain the function of a part, but reduce the costs of components, never jeopardizing quality.

## **Focus on the Customer**

Keeping the per order cost of logistics support low requires keeping customers happy (so companies retain them as customers). By going beyond the customers' expectation, companies can keep business up and spreads out the burden of logistics cost reduction over a greater number of orders/customers. Because of this direct correlation between customer satisfactions and overall cost reduction, customer service should be factored into any measurement of changes in logistics costs accordingly.

## **Focus on Outsourcing**

**Over 2/3 of businesses choose to outsource** at least a portion of their supply chain operations, mostly transportation and storage.

The reasons behind outsourcing mostly include [cost reduction](#), increased efficiency, and the convenience of entrusting important aspects of your work to more efficient and skilled professionals.

## **Focus on Warehousing efficiency**

“The number one thing companies can do to reduce warehouse inventory errors (transportation costs or carry costs or warehousing costs etc.) organizations as a whole have to adopt and apply lean principles to their company’s business and workflow processes

- Increases storage density in bins & racks by improving vertical space utilization or bin re-profile as a means to achieve it
- Better utilizes available floor-space to increase storage density.
- Reduces damage to case picked pallets by eliminating movement in transit.
- Stock Loss/
- Automation
- Packaging

## **Focus on Transportation (Distribution) costs can be a significant part of a company's overall logistics spend...**

Some companies believe that the best negotiated prices can be achieved when they use a single source for all their transportation. This is fairly common for purchasing departments to use a single source for a range of products that a single vendor can provide.

The same can be achieved for transportation. By offering all transportation out to bid, via a RFQ (Request for Quotation), a company can provide carriers with a detailed explanation of what they require, which may fall outside of what is normally provided by a common carrier.

If they wanted to use a single source, a company would have to thoroughly evaluate a bidder's ability to provide the service and whether the carrier has the stability not fall into bankruptcy within the timeline of the contract. If the winning bidder fulfills the needs of the company, and has been fully evaluated, a company could gain significant transportation savings using a single carrier.

To ensure you have an optimized supply chain, you want to make sure you're delivering what your customers want, when they want it. And you're achieving that goal by spending as little money as possible. Reducing your transportation costs can be a significant way to spend less money, without impacting customer service.

Decreases freight costs through better truck utilization in both full (FTL) and less than (LTL) truckload shipments.

Transport – unnecessary movement of materials from one location to another.

Automation like VTS to increase service levels

## **Logistics Cost Reduction by Focusing on Safety**

Logistics provider must understand safety considerations. Ensure that your logistics operation is safe.

Be [proactive with safety](#). Avoid injuries that could cost the company a lot of money. Stay away from statutory fines.

Have someone, like a Safety Manager, be accountable and responsible for safety and ongoing safety training.