Case Study

THE CLIENT
Global pharmaceutical major and its newly acquired company

BUSINESS NEED ADDRESSED
Cost savings opportunities in transportation cost through understanding the synergies of operating the transportation network of the two companies together

RESULT
• 25% potential reduction in transportation cost
• Increased service level performance of 99% on time pick-ups and deliveries

TESTIMONIALS
“It was a pleasure working with Genpact’s team. The collaborative efforts across all participants of the study not only unfolded the hidden opportunities but also helped in understanding the existing business and the constraints. The details of the study help in structured implementation of the identified opportunities to realize the identified savings.”

- Logistics Manager

BUSINESS CHALLENGE
The parent pharmaceutical company had its logistics and transportation operations planned and managed through one of the global 3rd Party Logistics Service Provider and its newly acquired company was managing its transportation planning in-house and running its operations with common carriers. Both these companies had their own consolidation/deconsolidation hubs and warehouse and their suppliers and end customers were in the same geographical regions. After merger there was a big scope of identifying synergies in the networks of the two companies and there was wide scope of transportation cost reduction due to:
- Hub Network: sub-optimal location and number of hubs after merger
- Transportation Modes: Right usage of Dedicated Fleet/Common Carriers
- Transportation Service Types: Truck Loads, Multi-Stop Truck Loads and Less than Truck Loads
- Equipment Types: Size and Type Consolidation Practices: Consolidation, Hub-Consolidation and Zone Pooling
- Product Mix Constraints: Scope of allowing Temperature Controlled products to be mixed with Non-Temperature Controlled products during transportation
- Time Windows: scope of increase in Pick Up time Window to aid better Consolidation

GENPACT APPROACH AND METHODOLOGY
• Project Scope and Objective Identification: Genpact along with the Lead Logistics Service provider to the parent company conducted an in-depth study of the transportation networks of both the companies. Their as-is networks, constraints and requirements were understood in detail through meetings. This enabled initial scope and objective of the study.
• Data Collection and Assessment: Genpact then collaborated with the Logistics departments of both the companies to collect and validate the right data. Once the compliance of the data was ensured comprehensive summaries and analysis of the data was done to have a complete understanding of the transportation network-supplier, plant and hub locations; current flows-product type and volumes shipped across various lanes; current service levels and key problem areas
• As-Is Transportation Network Molding: Genpact examined the collected data and identified a portion of the data that represented client’s current network. The as-is transportation network flows and constraints were then simulated as a part of as-is transportation modeling to accurately reflect the current network, flows and costs and thus prepared simulated baseline data to study further
• Distribution Network Optimization Study: The Centre of Gravity approach was applied on the current network and flows to understand and propose optimal number and locations of hubs and warehouses for the to-be network.
• Transportation Network Optimization What-If Analyses: Genpact then applied sophisticated transportation network optimization techniques through modeling tool (JDA T-Mod) and conducted various what-if analyses on the simulated baseline data and identified various cost savings opportunities through mode shifts, changes in service types, hub usage, product mix reconfiguration, shipment consolidations (multi-picks and drops and multi stop Truck Loads), time window relaxation (within permissible limits).
Optimization Opportunity Proposal: All the identified opportunities were then analyzed further (in collaboration with Lead Logistics Service Provider) in context of the understanding of the requirements and implementation challenges and final proposal of implementable solution was made with an estimation of timelines of implementation.

GENPACT SOLUTION
Genpact's proposed to the company can be classified as under:

Logistics Planning through Lead Logistics Provider (in collaboration with Genpact)
- Proposed centralization of logistics planning effort across all the divisions of both the companies through Lead Logistics Provider/Genpact
- The proposed planning to enable uncover potential opportunities across all divisions and flows and effectively apply best practices across all divisions

Relocation of Hubs and reconfiguration of the Product-Mixes
- Proposed new number and location of hubs to take care of the transportation network for both the companies
- Redefined the product mixing restrictions across all the product lines to enable better consolidations
- The proposal also potentially addressed issues with expected service levels

Transportation Cost Reduction Opportunities
- Proposed Dedicated Fleet (without co-loading with other customers) instead of Common Carrier services on lanes with stable volumes, enough truck capacity utilization and good opportunities of roundtrips from domiciles
- Proposed sophisticated Less than Truckload / Truckload, mode shifts and hub utilization opportunities, including deconsolidation, consolidation multi stop picks and drops and zone pooling
- Proposed inclusion of non-temperature controlled shipments with temperature controlled shipments (to utilize remaining capacities of temperature controlled trucks)

BUSINESS IMPACT DELIVERED
The end-to-end approach taken by Genpact resulted in identification of significant cost savings opportunities while it addressed effective merger of the transportation networks of the two companies.

Financial Impact
- 25%+ potential reduction in transportation cost

Operational Performance
- Enabled better collaboration across the two companies and the Lead Logistics Service Provider
- Improved visibility of the two networks, underlying issues and opportunities
- Increased service level performance of 99% on time pick-ups and deliveries

THE ROAD AHEAD – LONG TERM SUSTENANCE WITH THE CUSTOMER
Genpact's participation with the client and its Lead Logistic Service Provider helped in effectively unfolding the hidden synergies of combining the two independent transportation networks and drive considerable reduction in overall transportation costs. These results have also allowed the client to explore Genpact’s expertise in other functional areas like freight management, load planning, carrier sourcing, invoice generation and billing.

Genpact is a global leader in business process and technology management, offering a broad portfolio of enterprise G&A and industry specific services, coupled with strong IT, analytics and reengineering capabilities.

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