



GENERATING **MANUFACTURING** IMPACT

Internal audit for a leading manufacturer identifies €4.1 million potential savings through smarter logistics processes



Client

Leading manufacturer of plastics

Industry

Manufacturing

Business need addressed

Ability to review and pinpoint root causes of high dispatch and shipping-related costs within the inbound and outbound logistics processes

Genpact solution

Conducted an internal audit of the client's logistics process and related challenges. The audit included interviews with key process owners, end-to-end process assessment, performing data analysis to identify root causes, and agreeing upon a practical implementation plan for resolving issues

Business impact

- Cost and margin pressure relief
- Improved cash flow and liquidity
- Standardization and simplification

The company leveraged Genpact's internal audit services to review its inbound and outbound logistics processes, including how transporters and agents were selected and managed; how loads were allotted, dispatched, and tracked; and how payments were made to transporters, including invoice processing, etc. The review resulted in recommendations for improvement with potential savings of €4.1 million annually.

The company lacked efficient processes and controls for dispatch, inbound material planning, invoice processing, and freight payments, resulting in:

- Increased cost of dispatch
- High inbound and outbound air freight costs due to rush shipment
- Third-party invoices being processed without verification
- Increased cost of overweight (exceeding internally defined limits) internal shipments via air
- Increased cost due to unapproved use of expensive modes of transport for the same region
- Inadequate tracking and charging of costs to customers for expediting shipments
- High variance in estimated vs. actual warehouse costs

Genpact's audit of the client's logistics processes pinpointed gaps where recommended improvements could save €4.1 million annually

A thorough review of the company's current inbound and outbound logistics processes included interviewing key stakeholders and analyzing process and historical data to identify gaps. Recommendations for improving these processes focused on three key areas:

1

Load allotment and dispatch improvement

Recommendations for revising these processes included:

- Configuring a system to enable dispatch groupin based on orders dispatched on same day/same customer/nearby zone/city, etc.
- Defining the mode of transport based on locations and configuring an approval hierarchy for any change in transport mode
- Conducting a cost benefit analysis for overweight shipments
- Defining an alternative mode of transport for shipments under 50 kilograms
- Linking all tracking and monitoring activities to individual Key Responsibility Areas
- Identifying the proper Key Performance Indicators to be used to track performance

2

Controlling additional costs and inbound logistics

Measures recommended here included:

- Setting up a process to track ocean freight and demurrage costs
- Defining an approval process for making early shipments or incurring additional warehouse costs
- Replicating the outbound shipment workflow for inbound shipments as well

Recommendations here included:

- Implementing a Duplicate Audit tool to verify potential duplicate invoices before making payments for ocean freight
- Designing a process for monthly variance analysis of accruals between the operations and finance teams
- Streamlining the process of verifying supporting documentation before processing third-party invoices

Business impact

Genpact identified potential savings and improvement opportunities of approximately €4.1 million annually of logistics cost by:

- Advance planning for inbound shipments to reduce air shipments
- Improved dispatch planning and grouping of orders
- Defining the mode of transport for each location, and avoiding overweight air shipments

About Genpact

Genpact (NYSE: G) stands for “generating business impact.” We design, transform, and run intelligent business operations including those that are complex and specific to a set of chosen industries. The result is advanced operating models that support growth and manage cost, risk, and compliance across a range of functions such as finance and procurement, financial services account servicing, claims management, regulatory affairs, and industrial asset optimization. Our Smart Enterprise Processes (SEPSM) proprietary framework helps companies reimagine how they operate by integrating effective Systems of EngagementTM, core IT, and Data-to-Action AnalyticsSM. Our hundreds of long-term clients include more than one-fourth of the Fortune Global 500. We have grown to over 68,000 people in 25 countries with key management and a corporate office in New York City. Behind our passion for process and operational excellence is the Lean and Six Sigma heritage of a former General Electric division that has served GE businesses for more than 16 years.

For more information, contact, industrial.manufacturing@genpact.com and visit www.genpact.com/home/solutions/finance-accounting/governance, www.genpact.com/home/industries/industrial-manufacturing

Follow us on Twitter, Facebook, LinkedIn, and YouTube.

© 2015 Copyright Genpact. All Rights Reserved.