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 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 grouping 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
Transporter and agent payments

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

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