EMPOWERING INSPIRED BUSINESS DECISIONS

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SMARTER LOGISTICS NEEDED TO HELP NEGATE RECORD FUEL PRICE INCREASE

Short to medium term solutions for saving 10-25% on logistics costs

Logistics costs for companies are set to skyrocket as the fuel price rises to its highest ever level in South Africa this week. This will put pressure on companies – particularly those that make a lot of deliveries or customer visits - to find cheaper ways of doing business. Supply chain technology and consulting solutions company, VSc Solutions, suggests five ways in which companies can start reducing their logistic costs immediately – and negate a substantial portion of the fuel price increase.

"The key to securing savings of anywhere from 10-25% on logistics costs – savings that will endure long after the fuel price drops – is to focus on greater efficiencies in terms of distribution," says Grant Marshbank, chief operations officer of VSc Solutions.

According to Marshbank, there are five focus areas for companies to pay attention to:

1 – Soup up your strategy with network modelling

Applying smarter strategy – by using an exercise that's done periodically (Network Modelling) - allows one to determine the most efficient way of doing business. Factors include determining the best possible geographic location of warehouses, comparing supply chain costs, determining the impact on transport costs when using one's own vehicles for inter-warehouse transfers, and comparing one's supply chain CO_2 footprint. "This exercise is vital for determining whether one's current operation is optimised, and if going after certain new business will be profitable," he says.

2 – Optimise routes

"Ensuring that the least number of vehicles drive the least amount of kilometres is the goal of route optimisation," says Marshbank. This works by feeding data – what needs to be delivered, to where and by when - into a system that generates a set of routes. Smart tools are available for both SMEs and larger companies, to ensure that the load is spread evenly across available delivery days. "After all, there's no point in having vehicles stationary one day and maxed out on others," he adds.

3 – Ensure proper execution

Armed with a set of efficient routes, next a company needs to ensure they're being used. This is achieved by combining data from each vehicle's tracking device and comparing it to the routes generated by the route optimisation tool. "Essentially, the system enables you to see on a map and Gantt chart where your vehicle is versus where it should be."

4 – Automate processes

Automating processes doesn't directly decrease fuel costs but removes inefficiencies that result in cost and time savings. "For example, most delivery processes are manual, which wastes time. But, by integrating data from a company's ordering system with a driver's smartphone, acceptance of goods can be automated and an electronic proof of delivery sent immediately, enabling invoicing to take place that much faster," he says. "By automating these basic business processes – of which invoicing is just one example - companies can get more from their resources like their people and their trucks."

5 – Integrate systems and reporting

A company's reporting is typically based on data from a single system. In cases where a company combines data from multiple systems, this is typically manual – which can be inefficient. By integrating systems, companies can transfer data seamlessly, enabling more effective reporting that gives complete visibility of the entire supply chain in real time. "By combining salary and overtime data, data from distribution systems, and data from your ERP (e.g. revenue, costs, margins) one can calculate the profitability of routes or the root cause of overtime, all in real time," says Marshbank, "The possibilities for enabling better informed decisions are endless!"

According to Marshbank, the typical savings when adopting the above technologies are between 10% and 25%. "Most of these solutions can be implemented quickly," he concludes, "and this will result in a favourable return on investment for your company from the very first month."