

CASE STUDY //

CARRIER COST REDUCTION FOR CONSUMER PACKAGED GOODS

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CASE STUDY // CONSUMER GOODS INDUSTRY
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CASE STUDY

Freight Cost Reduction // Chargeback Reductions



SUMMARY //

A Houston, Texas based consumer packed goods company, carrier cost reduction was viewed as a multi-faceted issue.

SCENARIO //

Tremendous growth leads to challenges related to the distribution of this rapidly expanding health and beauty products distributor. With much of their business moving toward "big box" retailers the need for carrier management seemed to just be the start of what would be required to fulfill the commitments made to their clients. The true cost of doing business with the Wal-Mart and Targets of the world seemed more complex than fulfilling orders.

MUST ARRIVE BY DILEMMA (MABD) //

With vendor scorecards dwindling and chargebacks against purchase orders mounting the need for a better solution was apparent. From numerous carrier meetings to drive on time compliance to costly upgrades in service levels the trend continued to show little improvement. Lead times were not an issue and inventory levels were manageable yet carriers could not seem to comply with the Must Arrive By Date (MABD) clearly displayed on the BOL. Purchase orders were being shipped with ample lead time and in most cases early with guaranteed service at a premium. Even with upgraded service the carriers would typically refuse to refund the charges since they were delivered "on time" per the standard transit.

BlueGrace began by analyzing the data and scorecards to determine root cause of the issue and set a baseline for current state performance. Next an assessment of ERP integration capabilities was performed and through some minor customization the potential for real-time connectivity to BlueShip TMS was an opportunity. This connection would allow BlueGrace to receive incoming orders from specific clients and apply custom business rules to achieve the missing link of the overall issue. No matter when the order was received in advance of the MABD BlueShip would effectively route the "Best Value Carrier" AND provide the most optimal ship date that relative to the selected carriers

standard transit time. This meant that each order once approved within the ERP would be rated and routed with a Wal-Mart approved carrier, lowest cost, standard service and shipped on the day that would best fit that carrier's network to allow for a delivery within the specified MABD window. Our client showed a 90% reduction in chargebacks within the first 60 days of implementing this program and combined with the dedicated support at BlueGrace proactively tracking each flagged order realized the best scorecard performance in recent history.

FREIGHT COST ALLOCATION //

The next phase of the consisted of another data review to determine using historical order level information what the true cost of each order was when freight cost was allocated. Current state included some analysis to determine an average freight cost as a percentage of sale and that was incorporated into the product cost to determine pricing for each end customer. We knew there was opportunity to drill down and allocate a freight cost to not only the customer level but the customer location, customer

**90% reduction
in chargebacks
within the first 60 days**

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location type (Direct to Store or Distribution Center) and even down to the SKU level. Since freight cost was not passed through to the client this would either show a net margin loss on certain orders or opportunities to reduce the freight cost allocation on others to become more competitive. The result highlighted regions that were more costly to ship to, products that did not have enough margin potential to consider shipping unless they met a specific minimum requirement and insight into regions of the country that would benefit from an additional warehouse location.

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CONTINUED GROWTH //

BlueGrace provides scalability for growing companies to achieve their goals without labor or technology investments. Our expertise and processes provide our clients with the bandwidth to operate efficiently and drive direct cost reduction through our procurement and dedicated management.

ABOUT BLUEGRACE //

Founded in 2009, BlueGrace Logistics is one of the largest third-party logistics (3PL) providers in the United States. With over 500 employees and working with over 10,000 customers to provide successful shipping solutions, the company has achieved explosive growth in its nearly 10-year operating history. Backed by a \$255 million investment by private equity firm Warburg Pincus, the company operates 11 locations nationwide, and its headquarters are in the sunny Tampa Bay area of Florida.

For more information, visit www.mybluegrace.com



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