

10 tips

November 2010

Cutting Costs From Your Logistics Budget

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If you want to reduce logistics costs, you have to take the time to review your processes. Nathan Pieri, senior vice president of marketing and product management for Rutherford, N.J.-based Management Dynamics, offers these tips for trimming your logistics budget.

1. **Eliminate supply chain bottlenecks.** By periodically reviewing and analyzing their supply chain networks, companies can pinpoint issues and proactively address them. Strategies to reduce or eliminate bottlenecks include addressing vessel schedule planning, ensuring proper documentation and regulatory compliance for imports and exports, and revamping network design.
2. **Reduce inventory at the port, manufacturing sites, and warehouses.** Companies often stock excess inventory because they lack supply chain visibility. To effectively reduce excess inventory, you have to gain reliable information on future orders. Visibility software can help.
3. **Cut demurrage and detention fines.** While an occasional fine may not seem like much, these costs can add up. Auditing carrier bills and tracking where issues occur in the supply chain can substantially cut fine payments.
4. **Identify opportunities to shift modes.** Without adequate visibility into logistics operations, a company may not realize that an air shipment could move by sea at a much lower cost. Companies that use technology to evaluate modal options typically see a five- to eight-percent cost reduction.
5. **Use postponement strategies to divert inventory at an international gateway.** A successful postponement

strategy can dramatically lower forecasting errors as well as improve customer service by reducing out-of-stocks. Companies also can cut transport costs by reducing inventory misallocations and shipping more items in bulk.

6. **Use preferential trade agreements.** Companies that take advantage of preferential status can save millions in duties and taxes. A software system that automates the qualification process can save time and effort, as well as improve compliance and data accuracy.

7. **Rebalance supply and fulfillment networks by determining tax-efficient sourcing and distribution strategies.** Companies must periodically review their supply chain networks to assess duties and logistics costs, labor costs, regulatory controls, and global political climates. By comparing geographic options, taking into account the costs and regulations of each option, companies can optimize their supply chain.

8. **Become a self-filer.** Using technology to connect electronically with brokers lowers entry filing costs and reduces manual entry errors. It also can enable pre-clearance of goods at borders and reduce the number of staff needed internally to manage logistics operations while boosting productivity.

9. **Control your procurement process.** By implementing a process-based workflow that includes tracking and managing order acceptance, consolidating invoices, creating shipments and generating documents— and by extending that process to trading partners— companies can reduce cycle times, cut supply chain execution costs, and better support compliance initiatives.

10. **Implement performance management metrics and tools.** Companies need a system, data, and tools to benchmark actions and make informed decisions. Developing a performance management process allows companies to manage service providers and critical cycle times to lower costs and continually improve performance.