ENABLED A LEADING MANUFACTURER TO IDENTIFY SYNERGIES TO LOWER TRANSPORTATION COSTS AFTER A MERGER

For an automotive components manufacturer

Tredence
Connect the Dots

ABOUT THE CLIENT

The client is an automotive components manufacturer that acquired a similar sized auto-component manufacturer recently. The companies have a greater than 90% overlap in the customer base.

SUMMARY

We were asked to help identify synergies in outbound transportation in North America through load consolidation opportunities resulting from this merger.
We started by breaking the business objective into clearly defined problem statements –

- Opportunity Type: What transport design options are available for consolidation, i.e., what are the relevant modes for consolidating loads?
- Priority Lanes: Which destinations and/or lanes present the highest opportunities for savings through consolidation?
- Savings Opportunity: What is the estimate the value of this potential? Can we create a re-usable tool to estimate this potential so that our client can get an accurate picture any time they choose to execute on the synergies on a particular lane?

APPROACH:

We followed the below approach to address this:

- After process understanding and exploratory data analysis, 4 different scenarios were devised to realize load consolidation opportunity
- Consolidation scenarios were validated on multiple destination clusters (area codes) to prove the concept
- A prioritization framework was built to identify top lanes with high savings potential
- Savings opportunities were computed on all the priority lanes across all modes of load consolidation
- An implementation roadmap was provided for each lane in order to maximize the savings at the earliest. This roadmap was customized based on lane dynamics including savings opportunity, IT systems, and locational constraints.

KEY BENEFITS

- **Load Consolidation:** Quantified the benefits of load consolidation by scheduled 2-day and 3-day shipments – Significant improvement over the current process, which was reactive in nature
- **Multiple tiered cost-reduction:** We evaluated and proposed additional ideas such as Multi-pick-multi-drop routes and Cross docking as well for Phase II cost reductions
- **Simulation:** We built a tool that simulated an entire year of operations of both the companies on these ideas and showed savings in each lane (origin-destination pair). This tool is now being used by the client to make daily decisions and expand in other geographiesnity, IT systems and locational constraints.

IMPACT

- We proposed a staggered plan of execution over 12 months to realize a total of 13% savings in their overall outbound transportation cost