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BUSINESS CAN SAVE MORE THAN IT SPENDS ON THE FUEL PRICE INCREASE

What companies can do now to save up to 25% on logistics costs

Supply chain considerations like route optimisation have become critical for companies, particularly those whose businesses centre around deliveries and customer visits.

“The fifth fuel price hike in eight months is putting companies under incredible pressure to find cheaper ways of doing business,” says Grant Marshbank, chief operations officer of VSc Solutions. “But the good news is that by focusing on greater efficiencies in terms of distribution, companies can save between 10-25% on logistics costs – savings that will benefit them long after fuel prices drop.”

The key benefits of route optimisation, which aims to have the least number of vehicles driving the least amount of kilometres, include: reduced running costs and overtime, a smaller fleet, and increased resource and vehicle utilisation.

It all starts with a plan

Whether one makes manual calculations (for a small operations) or uses smart tools that are available for both SMEs and larger companies, the idea is to find the balance between location and stock costs as well as transport and fuel costs. “The awesome benefit of this kind of planning is that it inevitably leads to improved customer service levels within the entire supply chain,” he says.

Mid-level strategic planning includes balancing the workload across the workweek, where possible, and geographically clustering and balancing sales or distribution customers together. “This helps to reduce the distance between stops, which results in a decrease in vehicle usage and fuel.”

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In addition to this, planning should include assigning ideal nominated delivery days where possible.

“This thinking should extend to one’s sales rep call cycle,” adds Marshbank. “Optimising the number of face-to-face calls to customers – perhaps by employing technology like Skype or varying the frequency depending on the season - can have a hugely positive impact on costs.”

Sticking to the plan

According to Marshbank, a plan is only any good if everyone sticks to it – which is where daily least cost distribution planning and route adherence comes into play.

“Running daily orders through a routing and scheduling algorithm finds the least cost daily operational routes based on orders, available time and resource capacity,” he says. “This enables one to minimise distance and vehicle usage whilst maximising vehicle utilisation across the fleet.” This results in lower fixed costs as well as drastically reduced fuel and other variable costs.

Another good idea is to track the adherence to one’s plan with planned vs. actual software. “This ensures that the plan is accurately enforced and provides the feedback you will need for future strategic optimisations as well as daily routing variables.”

“By applying sheer *logic to logistics*, it is possible for every business to reduce its costs and serve its customers even better, whilst riding out the storm,” concludes Marshbank.