Case Study

INBOUND FREIGHT MANAGEMENT

How One Fortune 500 Company Took Control of Their Inbound Program

A household name in the petroleum industry was struggling to effectively manage its inbound logistics program. Each year, $4 million in freight spend was hitting multiple budgets — all of which were unaccounted for, as inbound orders were arranged by a combination of field engineers, managers spanning various groups, and third-party vendors. It was one person's sole job to trace and allocate the costs to the appropriate business unit.

Not only was the company overpaying, and often double-paying, for freight to the tune of millions of dollars a year, but they were putting mission-critical, make-or-break operational decisions in the hands of their suppliers who had little to no logistics expertise. There was no cost control, visibility, oversight, or adherence to important facility safety protocol. Many valuable shipments weren't even insured.

Tucker Company Worldwide was asked to audit the company's freight expenditures and purchase orders, and identified several immediate savings opportunities. In addition to solving 100% of the undiscounted air, truck, and expedited freight bills, we uncovered systemic procedures that led to even more expensive errors. Vendors regularly overspent via "prepay and add" terms and often charged for second (and even third) shifts to make products that weren't actually required for weeks. Plus, lack of visibility during critical refinery shutdowns and turnarounds was costing time and money.

First and foremost, the company needed to get a better handle on all of its shipments. A routing guide was issued and all freight requests were centralized through Tucker Company Worldwide, allowing the company to gain much-needed oversight and control over the program. Tucker harnessed its buying power, historical lane data, competitive market analyses, and extensive stable of carriers to reduce freight costs, increase flexibility, and ensure 100% facility access, insurance, and safety compliance.

Within the first year, the company's inbound costs were cut by 67%.

The second cut at savings came when the company's procurement and transportation leadership collaborated with Tucker to support ongoing education and organizational behavioral change. Educating internal and external stakeholders of the problem, the need for change, and the fairly easy solution that had been developed was key to the success of the program. As a result, Tucker Company saw a dramatic reduction in last-minute and "no-notice" freight calls by both the company and its vendors.

The next, most exciting, change came when the reduction in overall capital expenditures was realized. Freight savings are nice, but having an impact on the cost of capital is even better. Tucker Company achieved this by addressing systemic issues, such as company personnel ordering goods to be delivered early "just to be safe". (As a result, in some cases, their vendors were spending capital weeks sooner than necessary and adding expedited manufacturing and freight costs. Some chartered flights were booked unnecessarily for products that were not actually needed for days or weeks.) By bringing these issues to light and implementing its cost and procedural controls, Tucker Company was able to reduce the true cost of the goods, while simultaneously reducing the frequency and cost of expedited service (not to mention provide the company with peace of mind).

The company's personnel were committed and dedicated to saving money — they just needed to keep the unintended consequences top of mind.

By the second year of Tucker's inbound program, costs were cut another 62% and, in year three, the company saw an additional 53% reduction in costs.

Could you benefit from our inbound freight expertise? To learn more about Tucker Company Worldwide, watch our video, visit our website, call **856-317-9600**, or email info@tuckerco.com.