

Unbundling Value: Collaborating with Suppliers to Unlock Logistics Efficiencies

Challenge

A multi-brand, casual dining Restaurant Company believed there was more value to be realized by collaborating with suppliers to understand and unbundle hidden logistics costs and risk premiums that are embedded in cost of goods. The Restaurant Company also had an existing network of consolidation warehouses, some operated by Armada, which it wanted to further utilize.



Solution

A supplier of frozen pasta products had historically quoted its business as FOB plus freight, utilizing freight costs consistent with market rates. The Restaurant Company realized the products were shipping from forward storage warehouse locations, but had no visibility to the underlying logistics costs associated with this practice. The company also did not believe that these forward storage warehouse locations were optimal for its network.

Armada leveraged our streamlined process and toolset to facilitate collaborative discussions between the Restaurant Company and the supplier. Through the discussions, the Restaurant Company learned that items were produced in multiple factory locations and there were a lot of inter-plant transfers occurring in the supplier's network. By analyzing product volumes along with transportation and warehousing costs, a variety of solutions were identified. Rather than using the supplier's forward storage warehouses, product was shipped directly from the production facilities to consolidation warehouses operated by Armada. The supplier and Armada integrated systems for reporting purposes, so the supplier could monitor inventory levels of its products.

Results

Changing where product was warehoused, aligning production facilities to consolidation points and eliminating unnecessary transportation costs yielded an approximately 3% COGS savings on products from the supplier. The savings came from a variety of sources, including reduced storage and handling costs (Armada's facilities were less expensive than the supplier's 3PLs), improved product routing in the network, increased outbound product velocity from the Armada consolidation points (as a result of the high volumes of this supplier's product) and increased distributor inventory turns. The supplier also experienced improved finished goods visibility at the consolidation points through Armada's integration and reporting systems.

About Armada

Armada creates innovative, fully integrated supply chain solutions that deliver competitive advantages and improve business performance for our clients.

Armada Solutions

Supply Chain Planning
Supply Chain Technology
Warehouse Solutions
Transportation Solutions
Global Logistics

We believe that there's a better way to manage our clients' supply chains. A better way rooted in simplicity, transparency and extraordinary service to our clients.

We are changing the way supply chains are managed — now and for the future — through innovation and collaboration with our clients.

We provide logistic solutions that create smaller, smarter, and more agile supply chains that adjust to our clients' evolving marketplace demands.

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