

Optimising Logistics Costs in a Challenging Cost Environment

Higher fuel, energy and insurance costs, a shortage of HGV drivers, increased customs requirements, and increased delays at ports all provide a challenging cost environment for logistics.

There are however opportunities to mitigate against logistics cost pressures through changes elsewhere in your supply chain.

Fleet Operators:

- Travel fewer miles:
 - Optimise distribution nodes based on customer locations and volumes to minimise the total transportation weight / distance travelled.
 - Use routing technology to plan more efficient distribution routes – can be 15% to 25% more efficient than manual and fixed routes.
 - Plan customer shipping days to enable more efficient routing to customers in similar areas.
- Increase asset utilisation:
 - Consider the potential to utilise expensive fleet assets by the addition of evening or night deliveries in collaboration with customers.
 - Explore opportunities to shape demand with customers to shift volumes to days with available capacity.
 - Consider the use of transshipment points to achieve high density for the bulk of the journey, decanting to smaller vehicles for last mile delivery.
 - Explore opportunities to use return journeys for backhaul transportation.

All Shippers:

- Increase shipment density:
 - Re-engineer packaging to increase density of products from primary packaging to pallets to containers.
 - Consider feasibility of increased pallet height or ability to safely double stack
 - Be open to collaboration with other shippers by matching pick-up days and sharing vehicles on routes to similar customers.

- Be freight and driver friendly:
 - o Reduce delays at pick up or drop off – freight ready and managed delivery slots.
 - o Consider cost to serve customers with highly specific requirements that drive additional costs.
 - o Look beyond the base shipment rates to understand fuel and all other charges.
 - o Collaborate with provider on practical steps to reduce costs .
 - o Talk with other shippers and periodically test the market based on your current and projected volumes.

- Time is an asset:
 - o Understand when products are needed at their destination and plan most appropriate shipment mode and routing.
 - o Consolidate shipments that travel over weekends - for example Thursday and Friday shipments often arrive the same day.

- Streamline ancillary activities:
 - o Migrate paperwork, communications, proof of deliveries, and invoicing to digital.
 - o Consider consolidated service providers for customs clearance to control both the costs and the quality of submissions made to customs authorities .

In an environment where input costs are challenging, managing, and changing the profile of shipments can have a significant impact on overall logistics costs.

Current cost challenges faced by all UK shippers

-  Higher fuel costs
-  HGV driver shortage
-  Higher insurance costs
-  BREXIT customs compliance
-  Increased delays at ports



No compromise on safety or standards

- Understand what you are paying - focus on total costs including **customs clearance and fuel surcharges**
- Periodic review of transportation needs, service providers and costs – **not shipment by shipment**
- Digital vs paper communications** – bookings, information sharing, status updates, invoicing, payments
- Look at shipment frequency – **fixed shipping days** to **consolidate more product** per pick-up / shipment
- Packaging engineering** – increase product density per pallet – reduce excess packaging on parcels
- Consolidate customs broker responsibilities** – increase control over declarations and manage cost of compliance
- Consider feasibility of **forward stocking locations** – increased storage and handling vs consolidated shipments and customs