

Warehouse & Secondary Transportation Strategy for CPG

About the company

The client is One of India's largest CPG company with 700+ SKUs. Current Setup: Secondary distribution channel comprises of 13 field warehouses that serve the market. Warehouse Operations and Transportation Operations managed by various 3PL service providers that operate on fixed cost remuneration scheme.

Business Objectives

Define the logistics strategy – covering warehousing and secondary transportation for the current CPG business

Business Situation

- With the same 3PL provider catering to warehousing and transportation services resulting in lack of operational control due to poorly defined SLAs
- High transportation costs were indicating intentional poor management and planning of secondary distribution

The solution

- Order Fulfillment Process: The order fulfillment process was mapped and benchmarked with industry standards to define the maturity roadmap
- Partner Selection Framework: A 3PL partner selection framework was defined based on regional partner strength and operational complexity gradient
- Remuneration Model Design: The remuneration model for 3PL partners was designed that could potentially offer better service at the same cost by incentivizing service level hits and de-incentivizing misses
- Secondary Freight Model: A SLA based secondary freight model that could potentially result in lower transportation costs and improve service levels through better utilization of assets and improved planning
- Re-drafting of Contracts: 3PL contracts were re-drafted with stronger service level agreements.

Business Benefits

- A pilot program run implementing the recommendations resulted in substantially improved services along with a savings of USD 100,000 per year from two said locations