

Aircraft manufacturer lands savings with new approach to freight spend.

Client:

A leading aerospace company, producing the world's most versatile utility aircraft. They have manufacturing, assembly, modification, and repair facilities located in North America, and customers around the world.

Challenge:

Our client historically allocated its freight spend apart from its bill of materials, which had been its primary focus during prior cost reduction strategies. When shipping costs finally went under a microscope, they discovered that freight charges were rising at rates disproportionate to the increase in annual aircraft production, and logistics expenditures per aircraft were far too high.

We helped them to re-evaluate their freight spend and logistics approach, based on their new increased production capacity.

Process:

Although their incumbent courier and over-the-road (OTR) freight suppliers were often internationally recognized leaders in logistics, they were not providing our client with their best rates. Based on a substantial increase in annual production and as such, shipments, new and improved freight contracts were needed.

Solution 1 - Greater visibility into freight requirements

An aircraft requires many components for assembly, ranging in size from an inch-long bolt to a subsection of fuselage or wings, all of which come from different suppliers via different logistics companies. Not only did our client have these aspects to juggle, but it also facilitated the shipment of spare parts to customers for inventory and "emergency" repairs. Before we could advocate for more strategic freight spend, we needed better awareness into how recent manufacturing changes had affected and even altered the logistics needs of our client. Together, we determined and defined each arm of freight movement, frequency of movement, capacity requirements, etc. then formulated a plan we could present to providers.

Solution 2 - Expanded bid process with over-the-road and courier RFQs

Coordinating the best deals on logistics demanded a more robust bid process, one that included untapped freight providers. Introducing new service providers into the mix altered the landscape - instead of hunting for one-off price quotes, the client let logistics companies outline the breadth and depth of their offerings/core competencies and provide rates on the portion of 1,800 shipping lanes that aligned with their service

offerings. Even our client's incumbent freight suppliers proposed reduced rates in an attempt to prevent loss of business. While our client weighed its legacy providers' price reductions, the offer now sat among a host of others.

We didn't accept first offers, choosing instead to use analytics-driven negotiations to work with bidding freight providers we saw potential in. We eliminated broker usage to negotiate directly with carriers, and said goodbye to smaller freight providers our client had worked with in the past who couldn't offer the stringent cost-effective solutions required to reduce spend without impacting the quality of service provided.

Solution 3 - Accounted for missing discounts

Finally, in fleshing out agreements with freight providers, we ensured all our client's locations received the same rate discounts and other perks as its main manufacturing facility. Our client had actually missed out on potential cost savings in the past because of miscommunication with freight suppliers as to how many of its facilities were covered under its agreements. Remediating this small oversight immediately started saving our client money.

Performance Results:

- 40% reduction in multi-million dollar logistics spend.

Conclusion:

By intelligently assessing and reorganizing how it managed its freight and aligning carrier strengths with our client's needs, we helped our client to save millions annually on its freight spend. While we're certainly proud of what our client accomplished, its continued commitment to honing freight costs further through strategic spend management practices continues to ensure that the savings are sustained and improved upon over the long-term.