

AFMS CASE STUDY

Major Consumer Goods Manufacturer

A Major consumer goods manufacturer asked AFMS to review their parcel shipping costs and carrier agreements for saving opportunities. Our clients spend is over \$100 million globally in parcel shipping with UPS, FedEx, and DHL. In the U.S. alone, they spend \$30 million in parcel with UPS and FedEx.

Our client has over \$1 billion in other transportation related costs in the US. The sheer volume and revenue associated with trucking and ocean freight has made these two areas the main targets for their supply chain cost management efforts. The parcel volume, although significant, wasn't the top priority for our client's logistics team to spend their resources on when the ROI on trucking and ocean was much larger.

At a supply chain conference in Dallas Texas, one of our clients supply chain Directors conducted meetings with several consulting firms, one of them was AFMS and its CEO Mike Erickson. Our client discussed the need to bring in some outside parcel expertise to help review and assist in developing a new parcel strategy in 2019. Our client needed AFMS' inside knowledge of the parcel sector to help re-negotiate their global parcel spend and other transportation cost reduction initiatives.

Our client asked Panalpina for help, a large air freight forwarder and partner of our client. They asked them to interview and vet AFMS. Our client wanted help from an industry expert in the selection of a global parcel negotiation contract consulting partner. They wanted to make sure they were getting the best advice possible as it related to reviewing and negotiating their large global parcel spend with UPS, FedEx, and DHL. When the vetting process was over, Panalpina strongly recommended that our client move forward with AFMS as their consulting partner to help with its parcel contracts, rate advisory, and negotiation strategy. Panalpina told our client they found the AFMS team to be an incredibly talented and knowledgeable team.

Our client realized these parcel contracts were complicated and they needed help. Their "in house experts" were not trained in the parcel space and did not know how to evaluate their agreement against the global market. They decided to use AFMS expertise to help gather their shipping data and review the carrier pricing agreements for discrepancies and over charged areas. The AFMS team guided our client through the process, finding the easiest way to get the shipping data and contract details needed to conduct a detailed and thorough pricing and benchmarking review.

Within a month, AFMS had completed a detailed report of our clients parcel usage and cost analysis. The exercise with AFMS was very helpful and a good learning experience for our client's logistics procurement team. One month later, When the AFMS results were presented back to our client, AFMS had identified 20% or \$6 million in overlooked savings opportunities. Most of the saving opportunities were found in inappropriate below market pricing and accessorial charges including Fuel, Residential fees, Saturday delivery fees and more.



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