

AFMS CASE STUDY

Major Electronics Manufacturer

A Major global electronics company hired AFMS to review its parcel distribution strategy, parcel contracts, and shipping data to identify parcel savings. This was the very first project executed under their newly established "United Shipping Initiative". This initiative brought together the electronics, retail, and entertainment/media units under the focused guidance of our clients North American Procurement group.

Our client collectively had over \$100 million in domestic parcel spend with UPS having a 60% share and FedEx having a 40% share. Prior to AFMS involvement with this client, UPS had presented a good proposal to keep their business which our client was ready to execute. AFMS cautioned against this and instead gathered 6 months of parcel data, along with the new UPS rate proposal. AFMS then performed a detailed pricing analysis to see what the savings estimate should be for our client based on a mix of all the diverse divisions our client had. Our analysis showed that there was approximately \$15 million per year of additional savings on the existing business.

AFMS participated in direct negotiations between our client and the Chairman and CEO of UPS at the time, along with other UPS executives. Our client requested two proposals from UPS, listing the pricing targets and accessorial concessions AFMS identified in its earlier pricing opportunity analysis; The first proposal was to keep the existing business and the second proposal was to earn our clients parcel business in its entirety, including the existing FedEx business. AFMS also included FedEx with a similar pricing request for both proposals.

Within two weeks, after discussing AFMS' pricing targets with both UPS and FedEx, each carrier came back with two proposals; each proposal was within \$100k of one another for the corresponding piece of business. The first proposal, for the existing business, came in at approximately \$8 million in annual savings. The second proposal, for winning our clients parcel business in entirety, came in at approximately \$20 million in annual savings.

Given the large divide in savings between each set of proposals and the fact that it was the first project in our clients 'United Shipping Initiative', Our client and their President got involved to help make the decision. He and his executive team decided to go to a sole source platform with FedEx.

After receiving the directive for a sole source parcel platform, AFMS supported the negotiation of the new agreement with FedEx, achieving \$22 million in annual savings for our client.



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