



CLIENT SUCCESS

Understanding and Managing the Cost to Serve

Distributor Leverages Enterprise Logistics Partnership to Shape Its Supply Chain for Long-Term Success

Consumer goods distributor DSI Systems (DSI) understands the importance of shipments arriving on time, in full and undamaged to its network of more than 3,500 dealers nationwide. These factors are critical in serving customer needs on a daily basis, but in such a competitive industry with no margin for error, DSI must execute the most cost-effective service to each and every one of those dealers. DSI was seeking a partner that could help the company quantify and control the supply chain costs associated with serving each customer. After considerable research, DSI ultimately selected Transportation Insight because of its transparency and willingness to design and implement flexible and innovative supply chain solutions that best fit immediate and future supply chain needs.

The Challenge

Prior to its Enterprise Logistics partnership with Transportation Insight, DSI was experiencing tremendous growth – and growing pains. The task of managing logistics operations for a network of 31 regional distribution centers was difficult and decentralized, with each of these locations negotiating their own rates with their own carriers. In addition, as DSI's product mix expanded into more types of products, the company needed to control inventory, warehousing and logistics costs, without sacrificing customer service.

DSI desired to stay competitive in a marketplace where consumers demanded top-notch service at a reasonable cost. The company wanted a logistics partner that could implement a system to centralize freight negotiations, streamline the freight bill auditing and payment process and deliver reliable, accurate reporting.



DSI sought a logistics partner that could develop a solution that delivered on the company's growth goals. Equally as important to the company was the willingness of that logistics partner to gain intimate knowledge of DSI's entire supply chain. Without taking control of DSI's operations, the partner should be constantly examining processes and mining shipment data to uncover opportunities to further optimize operations. This proactive, yet non-invasive, continuous improvement mindset was necessary to help DSI stay ahead of its competition without compromising the company's reputation for superior customer service. From a logistics, technology and analytical perspective, DSI felt that Transportation Insight could deliver such a solution.

The Solution

Transportation Insight thoroughly analyzed DSI's supply chain data to gain a thorough understanding of the company's core values. Transportation Insight designed a co-managed, bundled supply chain solution that would give DSI total visibility and control of its entire logistics operation while significantly reducing the company's logistics-related costs. Upon implementation, DSI would be able to:

- Include all regional distribution centers under one set of company-owned contracts
- Integrate Insight TMS® Transportation Management System (TMS) technology with its ERP system to:
 - Give all sales staff visibility of freight rates and carrier service times during the order entry process
 - Automate Bill of Lading and pick ticket creation at the warehouse level
 - Enable real-time shipment tracking from point of pickup at the regional distribution centers to final delivery
- Improve accuracy of freight invoices through Transportation Insight's rigorous auditing process
- Manage costs more accurately through the implementation of automated GL coding rules
- Understand true cost to serve every customer through comprehensive, on-demand reporting that tracks numerous metrics such as claims, shipments per lane or shipments per distribution center
- Develop a long-range strategy to continuously optimize its supply chain through deep analysis of the entire distribution network

The Results

DSI has seen transformational results that continue to deliver on the company's goals to be a market leader in its industry. Accomplishments resulting from the company's partnership with Transportation Insight include:

- Reduction of distribution center count from 31 to seven while maintaining the ability to deliver product to 95% of the United States in two days or less, with a large portion of its customers receiving next day delivery at standard freight rates
- Fewer distribution centers in the network allowing for less redundancy in inventory, especially slower moving items
- Larger volumes inbound to fewer distribution centers enabling DSI to buy in larger quantities and more cost-effective full truckloads – a benefit to the purchasing department, as well as to DSI's vendors
- Centrally-managed rate structures and contracts for all locations increasing company-wide discipline, greatly reducing freight costs
- Reductions of cost and time throughout the accounting department

- Radically improved visibility to all inbound and outbound freight costs through comprehensive reporting enabling the company to incorporate freight spend as a budget line item
- The ability to know the cost to serve every one of its customers operation in which only the client and the driver handled the freight.

Going Forward

As a strategic partner fully invested in the continuous improvement of its clients, Transportation Insight continues to deliver solutions that empower DSI to take its profitability levels ever higher. The two companies completed a project to develop a dedicated fleet operation in several North American locations. By partnering with Transportation Insight to complete this critical project on a very tight timeline, DSI was able to dramatically increase volumes – and service levels – to many smaller customers in short order. At the same time, DSI saw a reduction in freight claims and achieved additional cost savings, all while improving their customer's experience – a true reflection of an enterprise logistics partnership with Transportation Insight.

Annual Financial Impact (in addition to long-term savings from warehouse/distribution center location optimization)

Logistics Cost Reductions: Rate Savings - All Modes	6%
Logistics Cost Reductions: Rate Increase Avoidance - All Modes	10%
Logistics Cost Reductions: Invoice Error Cost Avoidance - All Modes	1%
Logistics Administrative Cost Savings: All Modes	1%
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Total Logistics-Related Cost Reductions (as % of Freight Spend)	18%

“Transportation Insight has given us the ability to get a great handle on our transportation costs, as well as all other logistics-related costs in our business. But more than that, they're a true one-stop shop for all things logistics, whether it's negotiating freight rates, auditing and paying freight invoices, building an integrated technology platform, helping us determine the best locations for warehouses or delivering business intelligence that we leverage for long-range planning. I've been doing this a long time, and I don't think there's anybody better in the logistics industry from top to bottom.”

- Dave Seibert, Senior Vice President of Operations, DSI Systems Inc.