

What is Cost to Serve?

Cost to Serve is the analysis and quantification of all activities and costs incurred to fulfill customer demand for a product through the end-to-end supply chain. You must have an accurate Cost to Serve for customers and products in order to understand how profitable your business is - or can be.

Accurate Cost to Serve metrics are developed by modeling all the supply chain activities in the network and accumulating and properly allocating fixed and variable costs. Once you have an accurate model, you can make decisions on whether a particular customer or market segment is profitable to your business, whether it is time to send a product to obsolescence or what pricing models you should use.

Supply Chain Network Design focuses on optimizing network structure based on capacity constraints and aggregate overall flows of materials through the network. Cost to Serve Optimization refines the network by preserving visibility into the profitability of products, and finds a configuration that drops fixed costs at a greater rate than it reduces margins.

Different customers, products, service levels and distribution channels each contribute different margins to the bottom line. You must first identify the unprofitable and low-margin product/customer combinations, along with high-cost processes, and then develop action plans for each to improve your profitability.



Transportation Insight gathers data within clients' supply chains, performs supply chain network design analysis, and provides Cost to Serve optimization so you know what the total landed cost of your products are and how much it costs to serve each customer segment. By utilizing actionable data derived from historical shipment information and running what-if scenarios with regional data and characteristics, Transportation Insight can help you develop the most responsive and efficient supply chain that meets customer demand (the right customers) for the best cost.

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