



UPS Supply Chain SolutionsSM

case study

Reducing Inter-Facility Shipping Generates Savings

A leading manufacturer of specialty automotive parts wanted to lower distribution costs to increase its competitive edge. The company brought in UPS Supply Chain Solutions' consulting services team to conduct a full analysis of its North American distribution network and provide data and recommendations for improvements.

Client Challenge

The company operates four factories in the United States. The finished products are shipped to hundreds of automotive parts dealers in North America via the company's five U.S. distribution centers, as well as one Canadian facility.

The leases were expiring on two of the company's distribution centers, in the Southeast and on the West Coast. Meanwhile, the economic slowdown and rising competition were putting pressure on revenue. The company was unsure if it made more economic sense to renew the leases on the distribution facilities or to close them. The fate of the Canadian distribution facility was also in question, since the company operates a U.S. distribution facility in the Northeast, near the border.

The company hired UPS Supply Chain Solutions to conduct a full analysis of the distribution network and processes and recommend strategies. UPS Supply Chain Solutions brought advanced network modeling tools to the job, along with specialized knowledge of distribution, inventory and transportation management.

Our Solution

The UPS Supply Chain Solutions team carefully reviewed the company's current distribution network and costs, to gain a baseline for comparison. The team then ran many different network scenarios, changing out the number of distribution centers and their locations.

Production & Fulfillment

GEOGRAPHIC AREA SERVED

North America

CHALLENGE

Determine the optimal network and supply chain processes to lower distribution costs for specialized automotive parts and equipment, while keeping service levels high.

SOLUTION

Keep the current distribution network and refine operations to optimize inventory, improve fleet management and avoid unnecessary inter-facility shipments.

RESULTS

- Demonstrated that current network of distribution centers is optimal
- Identified process improvements to generate \$2 million in savings

The data showed that the current network, with distribution centers located near factories, is the most efficient model to optimize outbound transportation. For example, closing the Southeastern distribution center, the company's largest, would add about \$1.4 million to the company's total transportation costs.

UPS Supply Chain Solutions recommended that the company maintain both the Southeast and West Coast distribution facilities. The analysts also recommended that the company maintain the Canadian distribution center, since the data showed that shipping goods in bulk across the border and then distributing them in-country was more cost-effective than shipping direct from the United States to individual customers.

The UPS Supply Chain Solutions analysts found a large opportunity for savings, however, in the areas of inventory and inbound transportation. When the analysts studied the company's inventory flow, they found that products were often being sent from one distribution center to another before final delivery to a customer.

The data demonstrated that the company could generate significant savings by better controlling its inventory flow and fleet management and eliminate unnecessary inter-facility transportation. The consultants trained the company's personnel on how to use specialized software the company already possessed to implement and maintain the new policies.

The entire project – from analysis of the data to the development of a solution – took only two months. The company followed the suggestions of UPS Supply Chain Solutions and is now experiencing a 15 percent reduction in its total supply chain costs while maintaining outstanding service levels.

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For more information please contact us
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