

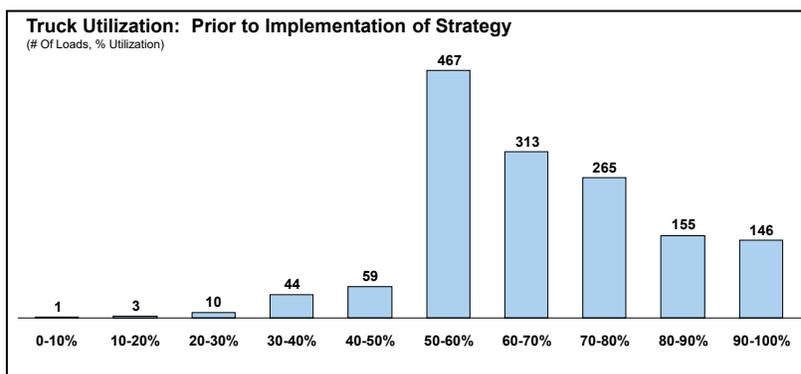
## Logistics Strategy At Premium Baked Goods Company: Improving Cost-to-Serve

**The Challenge:** Our client is an \$800MM baked goods manufacturer whose growth and market presence have been driven by consistently fresh and high-quality products. This ability to keep stores stocked with prime product is attributable to a strong store presence facilitated by the company's direct store delivery (DSD) network. Several hundred DSDs are fulfilled through regional distribution centers and, in turn, local depots and store delivery contractors. While an effective delivery strategy during the company's previous growth cycles, executives felt there were efficiencies to be gained from reevaluating the delivery network. SuperBake asked us to assist in defining its future logistics strategy.

### The Partnership:

**Analysis:** An initial diagnostic indicated a number of inefficiencies in the company's delivery network:

- Fixed, weekly delivery routes from the distribution center to the depots creating widely fluctuating utilization of trucks and inconsistent delivery cost
- Depots overlapped creating many drop charges in a small geographical area
- Interplant freight charges related to spikes in demand created by new product introductions and promotions
- Ownership of inventory controls held at regional level resulting in inconsistent inventory policies and levels
- Absence of reporting relating to inventory and service levels.



Our team constructed a freight cost model to enable analysis of alternative approaches for delivering products from plants to depots and DSD personnel. The modeling effort included: collecting detailed order data for the 3 manufacturing facilities; modeling weekly orders by depot for 1 year of historical shipments; recreating outbound freight routes, costs, and accessorial charges; and profiling shipments and truck utilization by lane. Subsequently, we developed alternative shipment schedules for base volume and seasonal/promotional surges and reviewed them with corporate/plant transportation departments to finalize shipment rules to embed in the logistics strategy.

**Strategy:** Based on the modeling and a review of the client's current and future logistics requirements, our recommended logistics strategy included the following key elements:

- *Interplant and Outbound Freight Reductions* via depot consolidation; flexible freight routings to ensure better truck utilization, modified delivery schedules (including migration to bi-weekly delivery in lower volume areas), and plant rebalancing
- *Inventory Reductions and Improved Customer Service* through disciplined corporate planning methodologies for new product launches and promotions; network-optimized inventory targets; and creation of reports to monitor inventory and exceptions
- *Warehousing Cost Reductions* by establishing and installing consistent best inventory management practices throughout the SuperBake network.

**Execution:** Company-wide consensus on the strategy allowed a quick rollout across the client's network.

**The Results:** Over 75% of the \$2.5MM in savings (from a cost base of \$12MM) highlighted in the strategy was saved in the first year of implementation.