GROENEWOUT

Spandex saves five percent on its transport costs in Europe and Australia

An interview with Mr. Ulf Schrader, executive director supply chain at Spandex in Achern (Germany) by Marcel te Lindert.

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After being acquired by a Dutch private equity fund, Spandex, an international distributor in the sign-making and specialty graphics industries, decided to re-examine its transport and distribution activities. The company asked Groenewout to identify potential cost-saving opportunities.

Spandex supplies the equipment and materials needed to make any kind of signs or speciality graphics products – whether high-quality art reproductions or metres-high building wraps. "We act as a one-stop shop for this sector. Our product portfolio includes anything from wide-format printers, cutting plotters and design software to materials for printing on," says Ulf Schrader, executive director supply chain at Spandex.

Headquartered in Switzerland, Spandex does business all over the world. In Europe, the company has eight warehouses and two shops selling products off the shelf. There are a further five shops and one warehouse in Australia. "This is a fast-paced market," explains Schrader. "Customers expect to receive their products the day after placing their order. In order to be able to offer such short delivery times, we need our own warehouses to be physically close to the markets we serve.

Data analysis, interviews and workshops


Ulf Schrader

Even before the current economic crisis took hold, Spandex's supply chain underwent a substantial cost-saving programme. That process yielded significant financial results, but there were still gains to be made in one particular area: transport costs. Schrader: "Until the middle of last year, Spandex was American-owned and the US office handled all negotiations with our transporters. Now that we're responsible for this aspect ourselves, we wanted to assess the opportunities for saving money on transportation."

Spandex asked Groenewout to take a close look at the company's transport activities. "We'd worked with Groenewout on another project nine years ago, so we asked them – plus five other suppliers – to submit a proposal. Groenewout emerged as the best choice: they had knowledge of the European transport market, understood our business, provided strong references and they could also handle our Australian operations," says Schrader.

In January 2012, Groenewout set about extensively analysing data, interviewing those involved in both Europe and Australia, and organising workshops to discuss possible ways of making savings. "They didn't only speak to Spandex's supply chain employees, but also to staff in sales, product development, purchasing and customer service, for instance," continues Schrader.
The result was a long list of potential cost-saving opportunities. After validation, Groenewout worked closely with Spandex, using simulation models and benchmarking tools, to select the most interesting options. The consultancy firm then drew up an implementation and project plan for each one. The starting point for this process, which lasted three-and-a-half months, was that both the existing distribution network and the service level should remain untouched.

Lower rates and fewer kilometres

One of the most significant measures concerned Spandex's European inter-company transport costs, which were relatively high. Taking Groenewout's advice, the company re-opened negotiations with its transport partner, who responded with a number ideas for optimisation which led to better alignment of processes and lower rates. Groenewout also suggested that Spandex should handle the transportation activities for some of its suppliers. Integrating them into the existing 'milk runs' created greater efficiency and hence lower transport costs.
Furthermore, although Spandex had expressed its wish for the service level to be left unchanged, Groenewout advised the company to adjust its delivery-time promise. It had become standard practice for Spandex to provide every customer next-day delivery before 12 noon. However, courier services are prepared to offer considerably lower rates if they are allowed extra time to make their deliveries. "In some countries, our standard next-day delivery time is now set to 'Before 5 p.m.' for customers who fall below minimum order levels," confirms Schrader.
Cost savings have been achieved not only in Europe, but also in Australia, where both the number of transporters and the number of transport kilometres have been substantially reduced. "We had a lot of inter-company transport in Australia due to our current product range set-up. Thanks to better inventory and product management, we've reduced the total amount of transport kilometres which has made a big difference to our costs.

Potential savings of up to twelve percent

Spandex began implementing the various cost-saving measures in April 2012 and now, less than six months later, they are already starting to pay off. "We were able to execute some of the steps after just a few weeks, whereas others take longer. Delivery times are not something you can change overnight, for instance," says Schrader.

At the end of the process, the Spandex supply chain director expects to have saved five percent on transport costs. "Bearing in mind the intensive cost-reduction programme we went through previously, this is an excellent outcome. I never dreamed we would achieve so much," comments Schrader.
And there are still further opportunities for savings, with the potential for ten to twelve percent in total. "Groenewout's approach has produced a whole range of other suggestions for organisational, technical and process-based improvements which will reduce our indirect costs – think of the customs issues surrounding shipments to and from Switzerland, for example. We will tackle these 'soft' savings next year, but for now, we're focusing on the 'hard' cost savings which will deliver quick results without substantial investment."

Reflecting on the collaboration with Groenewout, Schrader is entirely satisfied. "They have good market knowledge, they analysed our situation thoroughly and they made valuable suggestions. On top of that, it was pleasant to work with them – it felt like the people from Groenewout were part of our company."

By Marcel te Lindert
Marcel te Lindert is a journalist with over ten years of experience in logistics. He was editor-in-chief of the Dutch magazines Transport+Opslag and Logistiek. Today he works freelance for magazines like Supply Chain Magazine, Nieuwsblad Transport and Logistiek Totaal.

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