

Syngenta achieves 20 percent cost savings by outsourcing logistics

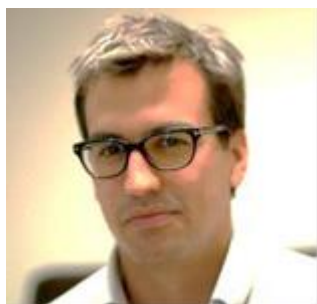
Interview with Luis Omana, Site Engineering Manager at Syngenta, by Marcel te Lindert.



Until recently, the logistics operation at Syngenta's production facility in the Belgian town of Seneffe was inefficient. The manufacturer of crop protection agents enlisted

Groenewout's help to turn things around. That ultimately led to the outsourcing of all the logistics activities, including the loading and unloading at Seneffe. The result: a 20 percent reduction in costs. Luis Omana from Syngenta: "More importantly, in view of the strongly seasonal nature of our business, we've turned our fixed costs into variable ones."

With its seeds and crop protection agents, Syngenta helps professional growers all over the world to meet the rising demand for food. Seneffe, 40 kilometers south of Brussels, is home to one of the biggest manufacturing facilities of its kind, where 35 million liters of weed killer and insecticide are produced, filled and packaged each year. 80 percent of the products are bottled and palletized, and the remaining 20 percent are shipped in ISO tank containers. "We supply mainly to customers in Europe, the Middle East and Africa. Latin America and Asia account for around 15 percent," explains Luis Omana, site engineering manager at Syngenta in Seneffe.



Luis Omana

Several years ago Syngenta embarked on an ambitious project aimed at raising its service levels while also reducing costs. The logistics operation in Seneffe is a key area of focus in this project, which will run until late 2020. "Put simply, we want to improve our logistics productivity and efficiency, which is why we asked Groenewout to analyze our inbound and outbound goods flows, to benchmark our logistics performance and to develop a vision of the future," comments Omana.

Room for improvement

Groenewout used the data it collected as the basis for developing a model to visualize the logistics operation and reveal any weak spots – and there was definitely room for improvement. "At Seneffe we have an 18,000-square-meter warehouse that holds a maximum of one thousand pallets' worth of stock at any time. Besides that, we work with an external logistics service provider who stores 3,000 to 4,000 pallets.

That situation has evolved over the past 15 years and we've never felt the need to change anything until now. However, the figures show that the operational setup was far from efficient," continues Omana.

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One thing that particularly stood out was the considerable fluctuation in the logistics employees' workload at Seneffe. Syngenta employed five forklift drivers to load and unload the delivery trucks. That number was based on peak times, but on some days there is really only enough work for one of them at the facility. "Groenewout came up with the idea of outsourcing this process to an external supplier so that the capacity can be adjusted in line with the demand," says Omana.



Some products out of Syngenta's range

Entirely outsourced

Based on the model, Groenewout formulated three scenarios for outsourcing the logistics activities:

- Outsourcing to a logistics service provider with a dedicated warehouse for Syngenta close to Seneffe.
- Outsourcing to a logistics service provider with a public or dedicated warehouse at the logistics center of gravity of Syngenta's network.
- Outsourcing to a logistics service provider with an operation on Syngenta's premises at Seneffe.

Groenewout then further analyzed these three scenarios. "We carefully weighed up the pros and cons before making our final decision," states Omana. The company decided to outsource the whole of its logistics operation, including the loading and unloading of delivery trucks at the production facility. All raw materials and end products are now stored in an external public warehouse ten kilometers away. Omana: "As a result, we can now consolidate all inbound and outbound goods flows to be handled by a single logistics service provider. This has eliminated the inefficiencies we had before, such as having different flows for bottles and tops. As an added advantage, we can now close down the existing warehouse in Seneffe.

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Keeping that open would've entailed extra investment to comply with the strict rules and regulations."

Cost savings of 20 percent

At Syngenta's request, Groenewout also supervised the entire outsourcing project, including the implementation of the operation in the new warehouse and alignment with the production at Seneffe. "Furthermore, Groenewout helped us to build a good relationship with the logistics service provider. We want to have a relationship based on partnership and a contract that is fair for both sides. It's reassuring to be able to rely on an independent advisor who knows about logistics and logistics service providers."

By outsourcing the whole logistics operation, Syngenta has achieved impressive savings of 20 percent on its logistics costs. "But even more importantly, we've turned a large proportion of our fixed costs into variable ones. That's very important in view of the strongly seasonal nature of our sector. In addition, we now have a better overview of inventory levels. The logistics service provider that is taking care of our logistics operation works with a modern warehouse management system that provides insight into our stock of raw materials and end products. That enables us to improve our service," says Omana, who is also keen to emphasize that the transformation has not entailed any job losses. "The logistics employees with a permanent contract have all been given a role in production, and those with a temporary contract are being hired in by the logistics service provider."

Passion for logistics

Omana looks back on the collaboration with Groenewout with a great sense of satisfaction. "We spent 18 months working intensively with three Groenewout consultants. All three of them were highly motivated and autonomous professionals with a lot of passion for their work. Their approach was highly appreciated elsewhere within Syngenta too, which is why Groenewout has now also been asked to do a project in France."

Text by Marcel te Lindert

Marcel te Lindert is a journalist with over 13 years of experience in logistics. He was editor-in-chief of the Dutch magazines Transport+Opslag and Logistiek. Nowadays he works freelance for trade magazines including Supply Chain Magazine and Logistiek Totaal.

More information

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