

NETWORK SOLUTIONS

Unlocking Synergies in Transportation

A merger of two former competitors into a single global brand presented opportunities for substantial cost synergies across all major segments of the new company.

THE OPPORTUNITY

Prior to the merger, both companies sourced retail-ready finished goods and had nearly identical supplier profiles. This suggested that the merged company could use their volume as leverage to improve their freight profile flowing into their global distribution network.

Synergies were not limited to transportation. The new company's distribution footprint was characterized by redundant assets across the globe. Rationalizing their distribution footprint was a top priority. The future state network design was available at the outset of this engagement.

International transportation, specifically ocean freight which represented 85% of their spend, was targeted. Supply was highly concentrated in Asia, with China representing almost 80%. For demand, Europe and North America represented 80% of the globe.

THE SOLUTION

Once historical data was harmonized and visualized, our analysis identified specific origins with consistent shipping patterns and critical mass to support an origin consolidation program. Using four origins, a consolidation model was built representing and quantifying the flows to/from

these ports to their future state global distribution network. The solution exploited the use of Expeditors ocean consolidation hubs in Shanghai and Hong Kong.

THE RESULTS

The study revealed that 20% of volume could be consolidated and thereby create a 7% cost reduction. The multi-million-dollar cost reduction was achieved by reducing the number of 20' containers by 75% and LCL shipments by 46% and increasing container utilization by more than 10%. With a compelling business case prepared, the client assembled key stakeholders to prepare an implementation plan.