

HEALTH & WELFARE BENEFITS

GLOBAL STRATEGIC SOURCING

CLIENT BACKGROUND

With over \$7 billion in annual revenue, our client is a worldwide leader in providing highly engineered components, specialty systems, and support services for a variety of industries ranging from fluid management to electronic systems. In order to be more competitive, the client sought to reduce cost of goods sold through operational improvements and strategic sourcing of materials and services.

CHALLENGE

Facing cost pressures from competitors and investors, client requested Gibson Consulting to fully unify their transportation requirements across a decentralized organization and leverage over \$250 million in spend across five modes

EVALUATION

The Gibson team gathered and analyzed the client's shipment and service requirement and potential cost savings for over 270 shipping locations.

The Gibson Team

- Conducted interviews with cross-functional teams and facilities management teams and gathered extensive data to benchmark costs and processes
- Identified opportunities to work with suppliers to obtain lower overall cost
- Recognized need for skill-based training and development of a project work plan and timeline to develop the sourcing organization.



RESULTS AT A GLANCE

\$37 MM+
IN REALIZED SAVINGS
FOR QUOTED LANES

\$23 MM
IN ADDITIONAL SAVINGS ON
OTHER 49% OF GLOBAL
SPEND

\$1.2 MM
REALIZED ANNUALLY IN FREE
CASH FLOW IMPROVEMENT
THROUGH PAYMENT PLANS

90%
REDUCED SUPPLY BASE

APPROACH

To achieve total cost savings, Gibson Consulting implemented a global Strategic Sourcing project targeting the client's \$250+ millions of transportation spend across Air, Ocean LCL, Ocean FCL, International Parcel, Truckload, and Less-than-Truckload.

- Gathered over 800,000 shipments representing the current state of approximately 55,000 active shipping lanes
- Surveyed over 1,000 global shipping providers across all modes
- Developed an online quoting tool to tender the multi-mode, multi-region RFQ to the market
- Defined and carefully developed category specific negotiable issues

RESULTS

Cost savings were achieved by reducing the client's supply base and significantly improving alliance management.

- Realized \$37.3 million in savings annually for quoted lanes
- Recognized additional \$20.3 million in savings on other 49% of global spend
- Realized \$1.2 million annually in free cash flow improvement through payment terms
- Reduced supply base by over 90%
- Defined geographic selection process for ongoing management for acquisitions and divestures
- Developed a future pricing methodology to predict the costs of new shipping lanes

