



Reducing primary logistics costs using multimodal transport alternatives

THE AVALON EDGE



Client Situation

- The client is a leading auto-component manufacturer across both **OEM and Aftermarket**. They operate 5 manufacturing plants across different parts of the country.
- The company supplies multiple **OEM plants** as well as the aftermarket through multiple sub-assembly centers spread across regions.



Key Challenges in the client's existing environment

- Problems like increasing cost of fuel and shortage of manpower further exacerbated by the COVID 19 pandemic contributed to high primary logistics costs
- Empty return trip post-delivery of cargo contributed to unnecessary wastage
- Fragile cargo led to higher handling costs and breakages had to be kept low
- Low truck utilization due to high turnaround time

The client engaged Avalon Consulting to explore alternative solutions like multimodal logistics options, truck leasing from newer digital logistics players and usage of larger trucks to optimize their primary logistics costs.



Avalon Interventions



Interviews were conducted with various plant heads and other key members of the logistics team to understand the process in place.



A **hypothesis** was developed to study different steps that can be taken to reduce primary logistics costs.



Avalon conducted a **pareto analysis** of the historic dispatch data from the five different manufacturing plants and identified the routes that contributed the most to costs.



Historical logistics costs were compared to appropriate benchmark costs on major routes on a cost / KM-Ton basis to identify cost-inefficient routes. Quotes were obtained from digital logistics vendors to explore feasibility and cost-efficiency.



Avalon also reached out to various multimodal **logistics vendors** and obtained quotes from them to identify cost-efficient alternatives on major routes. Avalon also initiated and facilitated negotiations for conducting a pilot rail freight transport on one major route.



Avalon also reached out and obtained quotes from vendors for the **leasing/purchase** of domesticated shipping containers and identified a possible cost reduction by using the same for certain long-distance routes.



Impact of our Interventions

Short Haul Dispatches



21% cost savings were identified on short haul dispatches by optimizing the type of vehicle on key origin – destination pairs

Long Haul Dispatches



Alternative rail transport solutions were piloted on long haul routes that could **reduce trip costs** on the costliest route by **over 12%**



Identified 30% cost savings on Top 3 long haul routes by choosing the right type of truck on each route



Explored 40 ft. containerized road transport as an alternative to closed body trucks with **cost saving potential of 15%**

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