CASE STUDY

THE DELIGHTS OF PRUNING AWAY LOGISTICS OVERHEADS

Abstract

When Natan Subar, Director of Global Category Management at a leading mining company realized that his supplier base of five logistics providers was one too many, a transformation was about to begin. With an expert team from Infosys BPM providing robust support, Natan seamlessly transitioned to a single third-party logistics provider. This case details the rigors of the journey which eventually delivered numerous rewarding outcomes including 13% annual savings and an astounding 45% reduction in administrative effort.

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Two's company, but five's a crowd

Natan Subar, Director for Global Category Management at a global mining corporation, manages the Services category for the organization. His team handles end-to-end supply chain operations, navigating complex cross-functional dependencies, aligning diverse regional stakeholders, and ensuring seamless coordination between internal teams and third-party logistics (3PL) partners.

Natan's team dealt with a fragmented logistics setup with five separate supplier contracts for managing logistics, warehousing, hazardous materials (HAZMAT), and transport. As a result, they had a high administrative workload compounded by the vendors' inconsistent safety, compliance, and documentation standards. To add to the team's burden, some of these vendors lacked the required licenses to deliver hazardous materials to the mines, while others provided only limited flexibility for extended hours or additional urgent needs. Of late, Natan's team had also made him aware of the quantum of rework created by the organization's inefficient processes for cargo inspection, consolidation, and transportation across ports and mining site warehouses. Not only did this inefficiency lead to frequent delays in delivery to site storage locations, it also contributed to higher overall logistics costs due to lack of economies of scale.

To add to this mix, Natan and his team had very poor visibility into the movement of materials from the suppliers to the warehouses and then to the mine sites because they lacked a unified, real-time, tracking and reporting system. Often, this not only caused delays in payments to vendors, affecting relationships and service reliability, but also Natan found great difficulty in tracking purchase orders and in generating operational and financial reports.

Seeing the limited control and accountability he had, and the increased risk of disruptions due to the multiple handoffs between his suppliers, Natan finally decided to simplify his procurement operations. Consolidating all logistics operations under one contract would not only create a single point of accountability, but also reduce his total logistics spend, and eliminate the department's demurrage costs and inefficiencies. However, with his team operating without a standardized KPI framework for performance, cost, or safety, he knew he would need a strategic operations partner to bring about the change.

Natan took his proposal to senior management presenting it as an opportunity to leverage external expertise for innovation and continuous improvement. He explained how a strategic move toward a modern, integrated logistics model would not only reduce the administrative burden and improve reporting quality but also lead to better route optimization and reduced lead times. And so, after gaining all the necessary approvals and going through the rigors of a global RFP, Natan finally tasked Infosys BPM with the mandate. Soon, he was working closely with its team of sourcing experts headed by project lead Vikram Gimba.

Diligently searching for the one

Over a series of briefings with Vikram and his team, Natan laid out his expectations clearly. He needed standardized processes, documentation, and safety compliance preferably from an incumbent supplier already familiar with the organization's procedures and requirements. However, the finalized logistics provider would also need to demonstrate greater flexibility and responsiveness than at present, and also be willing to shift to variable costing based on actual cargo volumes.

Approach Summary

- Prequalification of suppliers
- Bidder socialization programs
- Site visits, validation, and scoring
- Commercials evaluation and negotiation
- Final supplier selection and transition
- Governance model and monitoring dashboards

Vikram set his team on the task. To first identify the core issues accurately, the team began assessing the current state. They mapped the existing logistics processes across the five separate contracts to identify the operational gaps and quickly realized the low visibility, rework, delays, and fragmentation of the supplier base. Then they moved on to document the inefficiencies in warehousing, transportation, and HAZMAT handling. Next, the team defined the consolidated scope — warehousing, transportation, and HAZMAT — for a single 3PL provider. For this, they created a unified statement of work covering all of Natan's operational requirements. This done, they also designed the sourcing methodology and evaluation framework.

To prequalify suppliers, Vikram's team first shortlisted national suppliers based on their capability, safety, and compliance. Then, after establishing an evaluation committee comprising stakeholders from the organization's Supply Chain, HSE, and Security functions, they developed and handed them technical, commercial, and compliance criteria to score the shortlisted suppliers.

After the committee returned with their approved list, Vikram prepared and released a complete bid package comprising standardized templates for pricing, technical responses, and compliance, to the eight prequalified suppliers. To streamline the RFP, he also conducted bidder socialization programs where they clarified operational expectations. Once the suppliers submitted their proposals, Vikram and his team conducted technical and operational reviews to evaluate their capabilities for warehousing, transportation, and HAZMAT. They conducted site visits to validate infrastructure, safety, and operational readiness, and scored all the bidders on licenses, fleet capability, warehouse capacity, and safety systems.

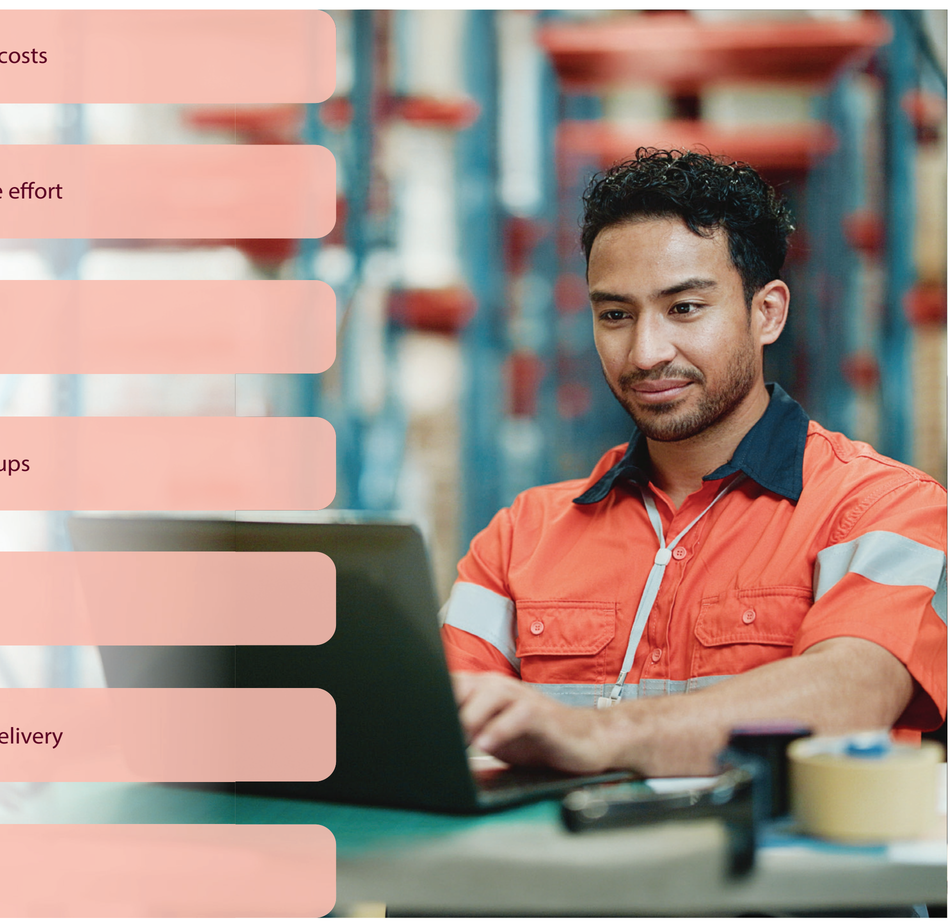
Moving on to the commercial evaluation and negotiation phase, Vikram set his team to analyze the cost structures in all submitted proposals for warehouse and transportation services. Then through multiple rounds, they negotiated the removal of nonessential cost items, such as warehouse rentals, to optimize the operational costs in the new contract. For the final supplier selection, the team combined both the technical and commercial scores to determine the supplier with the best operational fit. This helped them recommend a supplier having full HAZMAT licenses, strong operational performance and flexibility, and proven familiarity with the organization's processes. Vikram then prepared the contract approval documents with operational, financial, and risk analysis including the supporting justification for the consolidation and cost savings. Once Natan approved the choice, the team continued to support him by facilitating final approval from senior management. Vikram then focused on helping Natan's team transition to the new logistics vendor with detailed implementation planning. He set his team to develop a 3PL implementation roadmap, define operational KPIs, and establish a monthly performance review. They also prepared change management and transition plans for warehouse and transport. Lastly, they set up a governance model for service monitoring and established dashboards monitoring the KPIs for cost, safety, responsiveness, and quality. And once the new vendor was on board, they continued to provide constant support to optimize the operations and resolve outstanding issues.

Delivering miles, and smiles

When Natan had initially sounded out his plan within the organization, most stakeholders were deeply skeptical. They feared operational disruption and loss of control during the transition, because the supplier base consolidation would entail a single point of failure. Even during the many rounds of site visits and validations by Vikram and his team, many expressed concerns about any new provider's ability to deliver hazardous materials safely, and to meet the organization's strict HSE standards. Then also, right up to the project's rollout, scepticism abounded about the promised visibility, tracking, and reporting improvements. Often, Natan too found himself wondering if the cost savings he hoped for would actually materialize.

Key benefits

- 13% reduction in total logistics costs
- 45% reduction in administrative effort
- 100% shipment traceability
- 70% reduction in status follow-ups
- 25% reduction in lead time
- 20% improvement in on-time delivery
- 100% safety compliance



No wonder, Natan was not only delighted but relieved once the new 3PL provider was fully on board. The consolidation from five 3PL vendors to one greatly reduced duplication and unlocked economies of scale beyond his expectations. Now, with the complete shift to a variable, volume-linked cost model, he soon realized a 13% reduction in total logistics cost. Apart from this, with the new unified tracking, reporting, and governance across warehouse, transport, and HAZMAT, Natan now had end-to-end visibility and operational control. This eventually reflected in his team's 100% shipment traceability and 70% reduction in manual status follow-ups.

Further, the optimized cargo consolidation, routing, and scheduling greatly improved delivery reliability and lead time reduction. So, the mining giant realized an amazing 25% reduction in end-to-end lead time, and close to 20% improvement in on time delivery performance. More importantly, with the newly standardized HSE processes and with a fully licensed provider, it was now 100% compliant with HAZMAT regulations, with near-zero regulatory or safety non-compliance issues. The enhanced safety and reduced HAZMAT risks also came with reduced operational risk and clear accountability because dealing with a single accountable 3PL partner across 100% of the logistics flows eliminated the need for multiple handoffs. Thus, there was also a 60% reduction in handoff-related incidents.

Lastly, with Vikram's team having instituted standardized inspection, documentation, and handling procedures at the warehouses, Natan witnessed a 40% reduction in inspection-related rework and higher RFT (right first time) delivery rates. The team had also simplified invoicing, approvals, reporting, and governance under the new contract. This newfound efficiency led to a 45% reduction in logistics administrative effort, and a 30% improvement in the speed of vendor payments.

And so, in the end, Natan had a scalable, future-ready logistics operating model. With KPI-driven governance, he could now conduct monthly performance reviews across cost, safety, and service for continuous improvement and also prepare his team for better responsiveness during urgent or surge requirements. It's no wonder that when Natan presented all these outcomes to senior management he came back from the review meeting beaming with all the accolades he had received.

**Names have been altered to preserve the identities of the people involved.*

For more information, contact infosysbpm@infosys.com

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