Accenture Perfect Product Delivery
Part of Accenture Supply Chain Services

High performance. Delivered.

Optimized Transportation for Consumer Goods Companies
Managing the effective and efficient flow of thousands of inbound and outbound airplanes is the central, critical function of the air traffic control tower. Its operators specialize in using advanced technology to create order out of what is essentially chaos. Thousands of planes flying many flight paths could create conditions that, if not managed efficiently and effectively, would most certainly result in frustrated customers, lost business revenue and even fines. Given all the criteria that must be managed, it’s clear that what the airport model demonstrates is true; the only way to effectively control the chaos is through synchronized strategy and execution at every level of operation.

A Model of Efficiency and Effectiveness
Like air traffic control tower operations, transportation challenges faced by consumer packaged goods (CPG) companies are equally complex. Historically, CPG companies have left not only the management but also the economics of transportation, in the hands of carriers. As the majority of the world’s trade is managed by the shipping industry, they have traditionally had ownership and oversight of routes, loads and rates. As such, CPG manufacturers have had little say in how shipping is optimized and managed with insufficient attention given to discovering opportunities for cost savings. Carriers set rates and determine routes, and when cost savings are realized, those savings are not traditionally passed on to manufacturers without aggressive involvement and negotiation for fee reductions.

Manufacturers also face steadily rising shipping costs as a result of fuel cost fluctuations, rationalization of the industrial map (reduced number of factories) and consolidation of warehouses. As the price of crude oil increases, the ratio of transportation costs relative to production and facility fixed costs increases too. When trucking companies are stung by rising costs, third-party logistics providers share their pain very quickly. Rising transportation costs are putting more pressure on net margins at JPMs, as well as carriers, as they balance what they pay truckers and what they can charge shippers. Until now, manufacturers have primarily relied on trying to negotiate lower rates based on volume allocation and leveraging the carrier’s fear that manufacturers will shift their business to the competition. Though this strategy has been partially successful in the past, the long-term potential for using these negotiation levers is limited. Challenges posed by rising costs associated with warehouse consolidation present a unique problem too. Most manufacturers are actively searching for ways to consolidate their networks. By reducing the number of warehouses a manufacturer uses to centralize inventory, product availability is significantly improved and fixed inventory costs are dramatically reduced. However, transportation costs increase as products travel longer distances. In this scenario, transportation optimization becomes critical to product availability, ensuring manufacturers address customer demands at reasonable costs.

What can manufacturers do to gain the advantage when shipping costs are controlled by carriers, and warehouse consolidation costs are rising? These issues are also affected by the current state of global markets and escalating financial pressures that demand companies increase their supply chain resilience. Long-term, positive change requires a revolutionary, strategic service that eliminates the expensive, outdated burdens of transportation management and optimization and drives total supply chain efficiency resulting in more timely and accurate information. Accenture has the answer and is ushering in a new era of efficient and effective transportation optimization and management.

### Case for Change

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<th>Case for Change</th>
<th>Value Progression</th>
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<tr>
<td>Fragmented Freight Planning &amp; Execution</td>
<td>5-15%</td>
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<tr>
<td>Lack of Standard Tools &amp; Process</td>
<td>10-20%</td>
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<tr>
<td>Lack of Visibility to Support Analysis &amp; Network Change</td>
<td>2-10%</td>
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**Savings Potential**
- 5-15%
- 10-20%
- 2-10%

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### Strategic transportation management reduces transportation costs, freeing up funds for initiatives that increase control, mitigate risk and generate sustainable value across the enterprise.
Introducing Accenture Perfect Product Delivery—a new method of efficient and effective transportation optimization and management. Accenture Perfect Product Delivery is a quickly scalable, transportation optimization service for CPG manufacturers. It is delivered as a business service and part of Accenture Supply Chain Services. Accenture Perfect Product Delivery provides value by helping companies optimize the transportation network, cost-effectively managing transportation flow and routes, and improving customer service while adhering to strict retailer requirements. The savings are remarkable, ranging between 7.5 to 12 percent of annual transportation costs. But, where do these savings originate? Fewer trucks with fuller loads traveling shorter distances can save companies money by consistently reducing labor costs and managing fuel costs. Specialized teams and tools monitor the status of deliveries and manage all associated documentation (import, export, carrier invoices) to complete the comprehensive perspective of the service. In addition, Accenture Perfect Product Delivery helps companies reduce their carbon footprint by running trucks more efficiently.

Driving the Bottom Line

Tapping Business Insight Into Opportunity

At the forefront of client service, Accenture is first to market with this strategic, integrated, real-time transportation service offering that frees up energy and mind share that a CPG company could apply in other areas of its core competencies. Accenture Perfect Product Delivery focuses on four core service components working together: transportation optimization, track and trace, associated documentation management (including import/export and invoice compliance) and reporting and KPIs.

Transportation Optimization. The primary objective of transportation optimization is to save our clients’ money by increasing the fill-rate of their trucks while simultaneously reducing the number of miles they are required to travel. We determine the optimum route with special attention to incorporating multi-pick, multi-drop and round-trips, getting trucks to operate at maximum capacity all the time. 3PLs optimize their loads, but they do not pass 100 percent of the associated savings to the manufacturer. Our pre-optimization strategy opens the door for clients to get 100 percent of their efficiencies value plus a percentage of the efficiencies’ that the 3PL provides. In addition, this new focus on pre-optimization allows the manufacturers to rationalize their deliveries. For example, instead of making a daily delivery to every client in a specific postal code, it’s possible to schedule delivery just two days each week so that loads can be consolidated and multi-drop can be more easily managed. When you consider that many CPG companies make millions of deliveries each year, it’s easy to see the many advantages of transportation optimization.

IT capabilities and processes are already being provided by Accenture to a number of CPG companies. Our goal is to increase the client’s profit while reducing costs. So to measure the success of our transportation optimization, our delivery model fees are linked to KPIs such as average truck fulfillment, number of trips planned and distance covered. Clients can routinely expect to see a reduction between 7.5 to 12 percent of the annual transportation costs based on analysis performed for at least 10 leading Accenture CPG clients. Integration is built into existing systems and synchronization with daily warehouse preparation processes has proven our service knowledge and experience to our clients.

Track and Trace. Track and trace is a real-time, Web application that allows clients to monitor every phase of delivery flow as it happens. Track and trace consistently reports arrival and departure of shipments according to schedule. Our client’s ability to monitor deliveries in real time makes track and trace a reliable tool that helps ensure customer demands are met. Track and trace allows changes and adjustments to be made at a moment’s notice, and demands close integration with the customer service front-office organization to proactively offer solutions to potential client issues.

Transport Documentation. A powerful tool, auto-invoicing simplifies the management of complex rate conditions. Historically, carriers have been responsible for invoicing. Auto-invoicing helps ensure accuracy of complex shipping parameters (rates, weight ranges, number of stops, tax and penalties) that invite error in less sophisticated systems. Auto-invoice is an Accenture Perfect Product Delivery service for CPG manufacturers. It is delivered as a business service and part of Accenture Supply Chain Services.
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How Accenture Perfect Product Delivery can help

- **Planning and Optimization**
  - Load Consolidation
  - Route Optimization and Carrier Selection
  - Transport Proposal Analysis

- **Execution**
  - Planned Shipments

- **Analytical/Actionable Insight**
  - Reporting and KPIs

**Benefits**
- Rapid results with lower investment and risk
- Improved service levels
- Improved transport management

**ROI**
- Annual transportation cost savings between 7.5 to 12 percent

**Cost KPIs and Service KPIs**

**KPI Follow-up**

**Real-time, Web application monitors deliveries 24/7**

**Operated as a Service**
- Multi-pick Warehouse
- Multi-drop Warehouse
- Carrier
- Customer
Accenture provides highly skilled talent with functional work experience. They work directly with our clients’ business managers to enhance process efficiency while improving service levels. In addition, our team takes over all the transactional aspects of the transportation, thereby allowing our clients to focus on more strategic capabilities. Accenture’s complete oversight of the transportation allows us to consistently identify opportunities for our clients to improve planning, routing, invoicing, monitoring and visibility, in real time.

**A Plan for Long-Term Success**

Accenture Perfect Product Delivery in a business services model offers global services methodology backed by local support on an as-needed basis without the expense or complications of building the infrastructure. Accenture Perfect Product Delivery provides services that span from strategy and transformation to execution. We manage the processes as a service, operating as an extension of the clients’ organization. This model reduces the set up time and is easily scalable to adjust to changing client needs, as well as volatile marketplace dynamics. We use leading edge transport optimization software that allows us to provide the hosted technology with lower cost of entry and reduced set up time. We use a business outcomes-based approach so client fees are based on a combination of utilization and the achievement of specific performance milestones.
Delivering Results for a Global Company

Our client, a global CPG company based in Germany, embarked on a project to improve customer quality while reducing supply chain costs. Through pre-optimization of loads prior to shipping the orders to carriers and increased visibility and control of their transportation, we have helped our client reduce transportation costs up to 7.5 percent in just a few months.

We began transportation optimization planning for flows between Central and Western Europe. In order to increase our client's visibility to transportation costs and flows, the transportation planning is performed centrally, from our Center of Excellence in Barcelona.

The client has operations in more than 40 locations and 24 countries, and more than 740,000 deliveries annually. We are optimizing about 70,000 deliveries each month and increasing the number of deliveries packed inside each truck.

Based on that success, we continue to work with our client to identify new levers for savings, proposing changes in transportation strategy, lead times and frequency, as well as negotiating with carriers on our client's behalf via simulations of optimized future flow and volume.
Shaping the Future of High Performance in Consumer Goods

Our Consumer Goods industry professionals around the world work with companies in the food, beverages, agribusiness, home and personal care, consumer health, fashion and luxury, and tobacco segments. With decades of experience working with the world’s most successful companies, we help clients manage scale and complexity, transform global operating models to effectively serve emerging and mature markets, and drive growth through evolving market conditions. We provide business services as well as individual consulting, technology and outsourcing projects in Commercial Services, Supply Chain Management, ERP Global Operations and Integrated Business Services. To read our proprietary industry research and insights, visit www.accenture.com/ConsumerGoods.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with 257,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world’s most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$27.9 billion for the fiscal year ended Aug. 31, 2012. Its home page is www.accenture.com.