

CARGO CONSOLIDATION



MANUFACTURER COLLABORATION IS KEY TO UNLOCKING BETTER SERVICE AND LOWER COSTS

The success of five automakers working with DHL Supply Chain to consolidate cargo and share aftermarket parts delivery services in Mexico proves that when it comes to increasing service and reducing costs, even competitors can collaborate. In an industry pressed to squeeze out every unnecessary cost, sharing transportation capacity can be an effective solution. The successful formula developed in Mexico can serve as a model for other markets and support cost efficiencies needed for profitable global expansion.

THE CHALLENGE

Consolidating competitors' like products going to the same or nearby destinations sounds logical and simple to achieve, but it is easier said than done. The concept of sharing services is not new to automakers. In fact, some automakers have talked about this model for 25 years; however, widespread implementation has been a challenge.

Collaboration is difficult because it is tough to move beyond the many concerns – about service levels, costs, warehouse management systems' compatibility, competitive issues, delivery priority, and more – that delay the process in the earliest stages. Adding complexity to the process is the requirement to secure internal support from different functions, such as operations, logistics and procurement, for each company involved.

THE SOLUTION

The merger of two automakers and the resulting mandate to consolidate operations was the catalyst for developing an automotive aftermarket parts consolidation and distribution network in Mexico. The manufacturers chose to work with DHL Supply Chain, which played the role of a neutral project champion. Beyond consolidating their parts distribution centers, the automakers' main objective was to increase deliveries to dealers in the same or nearby locations at a lower transportation cost for each participant.

DHL Supply Chain provided expertise in logistics systems, analysis and design, and already provided delivery services to one of the automakers. It deployed the resources to analyze both companies' delivery routes, and the output uncovered a great deal of unused space in both automakers' trucks. The empty space could be filled if they combined routes and utilized DHL's existing carrier network for con-

Challenge

Overcome competitive issues

Increase service to dealerships

Reduce transportation costs





Solution

Created aftermarket parts consolidation and distribution program

Combined automakers' routes into a single network

Utilized DHL's existing carrier network for consolidation and deconsolidation activities

Benefits Summary

-  Transportation costs
-  Delivery frequency
-  5 Asian, European and North American OEMs
-  Supply chain efficiencies

“There’s an urgent, industry-wide need to reduce redundant efforts and support smarter business practices. DHL Supply Chain gives customers access to one of Mexico’s largest cargo consolidation and distribution networks. Our ability to broker strategic alliances between peers and competitors alike results in lower transportation costs, fewer half-empty runs, smarter backhaul, less duplication and greater overall efficiency for all participants.”

– Felipe del Hierro, Director of Operations, DHL Supply Chain

consolidation and deconsolidation activities. The biggest opportunities for transportation cost savings were in the long distance routes, especially with low-volume dealerships in smaller cities.

The key to moving the project forward was to identify the operational issues up front and reconcile differences in pick-up, delivery times, loading and unloading practices and other key activities. DHL also met with the parties to address the legal matters associated with a shared service agreement, for example loss-and-damage provision changes. The program was approved by both parties, and pilots were executed to make final routing and scheduling changes to meet both automakers’ delivery requirements.

After designing and executing a successful operation for the peer organizations, a third automaker and competitor joined the cargo consolidation network for aftermarket parts. The increase in participants resulted in additional cost savings for the original automakers and doubled the frequency of deliveries for the third automaker. The DHL Supply Chain team continued to assure cargo from each individual company remained proprietary and was protected just as it would be on a dedicated truck.

The program has now grown to include five automakers – Asian, European and North American. Each time a new participant joins, the network grows in size, ultimately increasing the dealership delivery frequency to up to four or five times per week.

THE RESULTS

Once participant automakers stopped looking at each other as competitors, the cargo consolidation program achieved its main objective of increasing deliveries to dealers in the same or nearby locations at a lower transportation cost for all participants.

Using a combination of dry van trailers and straight trucks, the network handles more than 50,000 deliveries annually to 240 delivery points. Each day, the network manages an average of 13,800 miles and 15 dispatches with 30 routes and sub-routes across its Mexican territory.

DHL’s aftermarket parts consolidation program resulted in:

- New economies of scale and greater flexibility through shared delivery.
- Shorter delivery cycle times meeting the predetermined delivery windows for each dealer.

- Reduced excess capacity and related fuel and labor expenses.
- Access to newer and customized transportation assets equipped with GPS, lift gates and specialized material handling equipment.
- Guaranteed consistent, higher-quality service levels to end customers with dedicated driver operators.
- Customized business metrics.
- Reduced inventory due to more frequent replenishments.
- A single point of contact with improved information quality and shipment visibility, simplifying day-to-day management of fleet operations.
- New value-added services within the delivery cycle, such as unattended deliveries at night.

“Through the cargo consolidation program DHL Supply Chain has developed not only a successful operating model, but also a defined process for adding new participants,” said DHL Supply Chain’s director of operations, Felipe del Hierro. “For any automaker interested in joining the network, we provide clear and open information about the objectives, rules, measurements, information systems and accountability.”

In the face of unrelenting cost pressures, it pays to evaluate the efficiencies supply chain collaboration can bring. Contact DHL Supply chain today to discuss how we can help you overcome competitive concerns to increase customer service while saving transportation costs.

For further information:

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