

# TRANSPARENCY IN THE SUPPLY CHAIN: HOW THE COSTS OF LOGISTICS CAN BE LOWERED

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The supply chain is one of the most complex topics in a company. The reasons for this are obvious – global reach, the involvement of a wide range of partners, numerous physical and digital interfaces and the need to take account of a number of customers and tax systems in cross-border transportation. Guaranteeing cost and process transparency in this situation, and hence managing rigorously according to operating indicators is a core challenge. One example of this is the proportion of logistics costs – an indicator that is assuming major significance in logistics management. The most important success factor for the practical use of an indicator to manage logistics is the accurate and consistent differentiation and collection of cost elements.

Logistics costs first and foremost include all the classical costs for transportation, handling and storage. However, costs for planning and managing the supply chain as well as those caused by shortfalls must also be included if the process costs are to be fully determined. It is also necessary to calculate the implicit costs of capital tied up through storage and logistics infrastructure company-wide.

While there are few problems

when it comes to capturing the costs for incoming and outgoing freight, for storage and for internal and external logistics employees, determining the costs for planning and management functions or for shortfalls is generally more difficult. In a similar way, direct logistics costs concealed in material supplies (delivered duty paid) are not immediately clear. They can, however, be revealed by switching to delivered ex works.

The proportion of logistics costs generally depends on the product, the real net output ratio, factor intensities and production and logistics strategies. For example, the proportion of logistics costs will be lower for high-value products with stable procurement and production processes than for low-value goods that need to be distributed to a large number of points of sale. The circumstances in the sales and procurement markets also need to be taken into account. For this reason, the proportion of logistics costs in practice range from below 5 percent to around 30 percent.

Starting points for optimizing this indicator include lean management approaches, structural improvements in the supply chain and a targeted use of



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modern information and communication technologies, for example:

- Procurement of primary materials using a JiT/JiS concept and close supplier integration in order to cut inventory and storage costs
- Optimization of the network structure by consolidating suppliers or logistics centers
- Optimization of processes and the organization of supply chain management and planning
- Replacement of stocks through information
- Outsourcing logistics services in order to exploit synergies and specialization advantages

Comprehensive transparency provides the basis for such optimization measures. It is only after individual logistics costs have been analyzed that the decisive levers can be identified and positively influenced.