
Supply Chain Playbook

Four ways to boost efficiency and cut costs



Introduction




Supply chain performance is “an important competitive differentiator,” according to Industry Canada.

Ongoing supply chain innovation has helped make Canadian businesses more competitive, at home and abroad.

“Companies that can obtain a more accurate picture of their supply chain will be able to plan ahead, be more strategic and achieve better pricing overall – giving them a definite competitive advantage over others in the industry.”
– KPMG Consulting

50% of Canadian manufacturers have a supply chain in place

Why you **need** a supply chain

-  To gain a clear view of the business process
-  To identify inefficiencies
-  To be more competitive

“When effective supply chain communication and collaboration happens, information replaces inventory and manufacturers can run leaner, be more efficient, and gain advantages over competitors that have months or even years’ worth of inventory in reserve.”
– KPMG Consulting



Supply Chain Priorities and Challenges

The majority of Canadian manufacturers understand the intrinsic benefits of creating a more efficient supply chain, as reported by KPMG in *Canadian Manufacturing Outlook 2015: The Time to Invest Is Now*. Businesses surveyed by KPMG reported the following:

“Moving supply chain from being a 'necessary evil' to a 'strategic enabler' is a winning approach for companies who wish to succeed in today's highly competitive global market.”
– KPMG Consulting

Top strategic priorities

- 52%** Lowering costs and working capital levels
- 20%** Restructuring to support growth
- 14%** Increasing cooperation and transparency across supply chain

Biggest challenges

- 52%** Limited or no visibility across suppliers and logistics partners
- 29%** Flexibility and responsiveness to changes in demand
- 23%** Lack of competitive cost structure
- 20%** Supplier performance in terms of risk, reliability and quality



4 ways to boost efficiency and cut costs

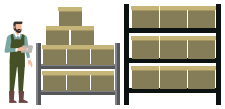
- 1 Inventory management
- 2 Transportation optimization
- 3 Cost efficiencies
- 4 Returns management



“Much of the success and strategic capabilities in the supply chain... lie in the parts that really connect it to the rest of the business, such as vendor-management, procurement, and customer-analytical demand planning.”
– KPMG Consulting



1 Inventory management



Too **much inventory?**
Warehouse or pay for
unsold stock or sell
it at a loss



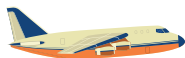
Too **little inventory?**
Out of stock; unhappy
customers



- **Regional shared warehouses:** Products are closer to customers, delivery is faster, you can save costs on space, and access specialty services as needed.
- **Vendor-managed inventory:** Supplier tracks and manages inventory levels.
- **Demand management:** Use historical sales data and seasonal patterns to forecast customer demand and align your supply chain to meet those projections.
- **Demand sensing:** Use real-time indicators like open orders and daily sales to predict near-term demand.
- **Just-in-time inventory:** Control your costs by stocking only what you need to meet the immediate demand, but also have a solid backup plan, especially if you rely on one supplier for key parts.

How to manage:

Finding a balance between too much inventory and too little can be tricky. Manage inventory with some of the current best practices to keep customers (and your CFO!) happy.



2 Transportation optimization



If you need service across Canada, you may be at the **mercy** of your carrier's **pickup and delivery schedules**.

How to manage:

There are shipping options to meet virtually every need, thanks to new technology and innovative thinking.

- **Consolidation:** Combine smaller shipments: multiple orders in the same carton, multiple cartons together, palletizing shipments or using a full truck – cross the border as a single unit, reducing clearance times and fees and reducing freight costs by as much as 10%.
- **Route optimization:** Software calculates the most efficient route and matches available trucks/drivers to streamline deliveries, save time, reduce mileage, and lower fuel costs.
- **Distribution centre bypass:** Use regional centres to accommodate local needs or for more direct travel – can save 7 to 14 days, reduce costs, and better manage inventory.
- **Intermodal options, like rail:** Rail is 15% to 18% less expensive than truck for long distances and is also fuel efficient and environmentally friendly.



3 Cost efficiencies



50%

of Canadian manufacturers say **intense competition** and pressure on prices are **major challenges**

How to manage:

Offering competitive prices and reducing cost structure are perennial challenges for Canadian manufacturers. Your supply chain can help.

- **Horizontal collaboration:** Businesses in the same industry share supply chain processes and assets, such as warehousing and transportation. Be wary of info disclosure, trust issues and clarity over who's in charge.
- **Vested outsourcing:** Create relationships in which each party has a stake in the other's success.
- **Manage freight costs:** Ensure understanding of freight classification used to determine charges and extra fees for services (e.g., border clearance, wait time, storage, packing, extra fuel) which can be up to 40% of freight expenses.



4 Returns management



\$26 billion in merchandise is returned

Almost 9% of retail store merchandise is returned

17% of e-commerce merchandise is returned

80% of returns aren't damaged and can be resold

100% of customers expect an efficient returns policy

How to manage:

Consumers expect a seamless, efficient returns policy. Make sure you have an effective reverse logistics plan in place and carefully select your logistics partner.

- **Flexibility in scheduling:** How often do you receive returns? Daily, weekly, biweekly?
- **Centralized returns centre:** 20x more efficient than multiple points.
- **Border consolidation:** Quicker clearance and reduced costs.
- **Integrated returns authorization:** Include pre-printed return label with shipments or approve returns using a Web-based system.
- **Multi-channel visibility:** Provide customers with complete visibility into the status of their returns online.
- **Sustainability:** Find second lives for returned goods by repairing them or breaking them down to component parts for resale.



We can help!

Purolator Logistics can help you reduce distribution costs and improve your supply chain efficiency and speed to market. We offer customized solutions, including import and border-clearance management, warehousing and fulfilment, transportation and returns processing. Let's talk about how we can help you.

“When supply chain...has a role in the ongoing strategic direction of the business, it can have a significant impact on the company's top and bottom lines and help it achieve its key growth goals.”
– KPMG Consulting

Contact us:

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Sources:

KPMG Consulting (2015). *Canadian Manufacturing Outlook 2015: The Time to Invest Is Now*.

KPMG Consulting (2014). *Canadian Manufacturing Outlook 2014: Leveraging Opportunities, Embracing Growth*.

Industry Canada, "Global Business Strategy and Innovation: A Canadian Perspective," Logistics and Supply Chain Management, 2011.

