

Report - Roundtable Conference on
Best Practices in Logistics and Transportation Planning & Management
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Best Practices can help companies reduce costs by 2-25%
The evolving coastal shipping solution too can cut down port, shipping charges significantly

In the times of hardening fuel costs for companies and expanding footprint globally, the transportation and logistics lap in the entire supply chain is a growing concern.

There are areas however, that can help corporate India keep a tab on the bottom-line by bringing in efficiencies.

At a CII Round Table discussion on "*Best Practices in Logistics and Transportation Planning & Management*" organised on February 17, 2011, in Mumbai, key heads of the logistics and information technology discussed how IT solutions can help reduce costs by upto 2-25%. The turnaround time needed for timely delivery of products too can be slashed by collaborating and bringing various organisational departments on the same IT platform.

Technological solutions are quintessential in the transportation arena as timely delivery the most looked for parameter. Sunil Kumar, Sales Director of OTM Solutions at Oracle India, said, "People need to not only get real-time information of the delivery schedule, but they need information ahead of time so that proactive action can be taken. You need to know that you are going to miss the delivery so that you can gear up for the challenges."

The recession and the post-crises period posed various challenges for the industry. "Even during the upturn the manufacturers saw a negative bottomline to their costs. We need systems that are foolproof of whether there is an upturn or a downturn," added Kumar.

Benefits of using the best practices are that majority of our customers say they are able to make savings of 5-25%, while 40% of them save between 6-10%, according to Kumar.

There are now solutions available that can connect all the people involved in supply chain mechanism to keep a tab on the situation. As Prashant Choudhari, Principal Consultant, Transportation and Logistics at Hexaware Technologies, says, "To enable the operations manager track the delivery of goods even if he is away from the depot there now are I-phone and Android based solutions that help him know information before real-time.

However, the acceptability of solutions needs to be addressed by the company management for seamless transition. L Balaji, Practice Lead, Transportation and Logistics at Hexaware Technologies, says, "There is always a resistance to change. Companies may be having the software, but unless the end user uses it, it is a failure. If he was sending 50-60 shipments earlier, but now sending only 10-15 shipments (to deliver the same amount of goods), then he will blame the systems for it if he is not happy."

Apart from technology there are areas of lack of assets that would pinch the companies in a couple of years. Surendran Kurup, DGM Operations at Leeway Logistics, observes, "Transport needs more assets but they are not buying it. We have to develop the assets for transportation. Most consumer durable companies look at trucks for efficiency. But there aren't many. In the trucking industry the drivers are in shortfall. Anybody who has been a driver, will not want his son to be a driver. So, even if you buy 100 trucks you will be stuck because there will be no drivers. You need to create an attractiveness campaigns in the rural Indian to motivate people to be drivers."

To reduce the turnaround time due to transportation, various companies are adopting innovative strategies. Like S K Dash, Head – Logistics, Videocon Industries Ltd., said, "We have started what is called SDR 750, which is Supply and Distribution of goods within a radius of 750 kms. Today 70% of the production is being distributed within the 750 kms radius. This was because we realised that of the 50% costs that went on transportation, fuel costs were about 60%."

This step was taken after the company realised, "We were not utilising the entire capacity of the factories and our trucks were running about a 10,000 kms in a month. So what was earlier taking up 70% of our costs is now down to 50% and we are planning to bring it down to 30%," Dash adds.

SKS Logistics is helping companies bring down freight costs by upto Rs 400 per tonne just by moving a certain leg of transportation to coastal shipping. Anjali Shahi, CFO at SKS Logistics narrates, "KRIBHCO Fertilisers had fertilisers would be coming in from Oman, then the ship would come to the port, then we transported through rail and then through road via trucks. Now using coastal solutions the ship doesn't need to be called off to a port. KRIBHCO has invested in jetties that are used to offload the the fertiliser, using a conveyor belt. From there bring it to barges that we own and bagged and then transported through road assets."

This helps KRIBHCO save on the port charges, the time taken to bring the ship and offload at the port and lower shipping costs, says Shahi. "The offloading at the barges is reduced by 10-15 times. The entire ship can be now offloaded in 4 days. These efficiencies can be realised over time," she adds.

SKS Logistics work is in line with the essential best practices lined out by the panel. Anand Pandey, Editor, Log. India, pointed that "50% of the overall costs is on transportation. The first best practice is cost optimisation. Freight costs control is essential for scale."

Along with an engaging discussion on reducing the turnaround time and the costs of delivery of goods, the panel addressed queries of ensuring profitability in times of rising fuel costs.