

How to reduce your supply chain costs?



Do you know how much your supply chain costs your business? More importantly, do you know what savings you could make with more efficient logistics management? There are different mechanisms for reducing supply chain costs, from your choice of pallet supplier, to stock management and transport optimisation, discover all the possibilities available to you.

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Do you know your supply chain costs?



In our global and digital economy, logistics management has become ever more complex. Badly planned economic optimisation of your supply chain can have damaging effects.

Reducing costs at one stage in the supply chain can cause an increase in costs at another.

An example of this is when a company chooses a cheaper supplier, resulting in problems regarding quality or delivery – that end up costing more. It is therefore vital that you understand all of the links which make up your **supply chain**.

A short definition of supply chain costs

The term supply chain costs refers to all costs related to the logistics management of your goods. Covering all stages from procurement to final distribution, they comprise storage, handling, transport and delivery costs. They account for a considerable proportion of the total costs of your business.

They often have an impact on the product sale price. Lifecycle cost analysis is a pertinent approach to supply chain costs. It covers all the costs incurred by a product throughout the different stages of its life – design, acquisition and dismantling – and all the costs incurred before, during and after the products use.

Before attempting to reduce its supply chain costs, a business must first identify all the direct and indirect costs relating to its logistics management.

Identifying what generates your supply chain costs

Logistics management is becoming increasingly global and complex. The supply chain has become an interconnected network of multi-site manufacturers, suppliers, carriers and distributors.

This makes investment and partnership decisions increasingly tricky. And yet these investment costs account for some of the largest costs in your supply chain.

But ... What is a good investment?

Whether for new facilities or new resources, a good investment is part of a long-term operational strategy. Analyse every expense in your supply chain to assess the value of your investments:

- **What are your production costs?**
- **What are your transport costs?**
- **What are your storage costs?**

Production costs have a direct impact on the economic efficiency of your supply chain. These costs also include management of your production tools, including any planned automation investment.



High transport costs are often the sign of bad supply chain planning. Delivery lead times, fuel prices and international regulations are key factors to identify. Storage costs, meanwhile, determine the profitability of your supply chain, whatever the size of your company.

One particular source of cost which deserves special attention and is acquisition costs. By choosing the best suppliers, you invest in the long-term economic efficiency of your supply chain. In other words, responsive and flexible suppliers capable of delivering the best products at the best prices, in the right place at the right time.

To sum up:

To maximise the economic efficiency of your supply chain, start by identifying what generates your costs:

- **What are your acquisition, production, transport and storage costs?**
- **What investments are appropriate to your long-term logistics strategy?**

What strategy should you adopt to reduce your supply chain costs?



Optimising how you use resources and plan operations

Improving the profitability of your supply chain requires, above all else, better use of your resources. **Do you have any under-used or obsolete resources?**

There is a direct link between resource optimisation and long-term efficiency of logistics management. For example, switching from single-use pallets to strong and long-lasting reusable pallets minimises repair costs as well as reducing the rejection rate.

When it comes to your Sales & Operations Planning (S&OP) process, make sure all your goals remain consistent. Your production and storage objectives must align with your delivery and distribution goals. Stock shortages, erratic demand plans and poor forecasting are all signs of disorganised operational planning.

Optimising your stock management and transport strategy

Optimum stock management does not simply involve good management of your volumes of stored goods. It is, of course, important to manage the space available in your warehouses, but you need a more ambitious strategy for goods storage if you want to have an impact on the profitability of your supply chain. Good stock management is as much about the quantities of goods in stock as about the procurement plan. Make sure that you have good storage and handling processes as well as an effective inventory tracking system.

In the same way, a well-defined transport strategy helps reduce supply chain costs. This involves minimising fleet management risks and ensuring fast response times when it comes to equipment breakdown. By planning delivery itineraries carefully and reducing empty transport miles, you can take advantage of even greater savings.

Applying innovation and technology to logistics management

Digitisation of certain processes can open up a number of interesting opportunities and possibilities for improving your supply chain management. You can now use special tracking devices to locate your products in real time. As well as improving the operational efficiency of your activities, using new technologies can also reduce your logistics costs.

Technological innovation is of particular interest when it comes to avoiding bottlenecks. It can help you make important savings in costs – and in time, by detecting and bypassing such obstacles. Real-time data management ensures fast and efficient deliveries to your customer.



Adopting a comprehensive supply chain strategy to minimise costs

Don't forget that the supply chain is a comprehensive process. Different people have a role to play, including your employees, your suppliers and your customers. Define a global supply chain strategy that includes all your partners and activities.

Your **logistics strategy** is an essential component of your business strategy. Here are some of the questions you should be asking to maximise your logistics profitability:

- **Have you carefully defined your logistics needs?**
- **Do you have a clear overview of the different stages in your supply chain?**
- **What is the sequence of your supply chain, from the first to the last stage?**
- **Have you thought about implementing breakdown and failure analysis?**
- **What is your disaster management strategy?**
- **Have you implemented safety plans?**
- **On which elements are you prepared to make compromises? And which are non-negotiable?**
- **How much autonomy are you prepared to give each participant involved in the supply chain?**

To sum up:

Adopting the right strategy to reduce your **supply chain** costs involves:

- **Optimum use of your resources**
- **Well-planned and efficient operations**
- **Effective stock management**
- **A clearly-defined transport strategy**
- **Implementation of appropriate digital solutions**
- **A global approach to all operating in your supply chain**

A pallet pooling service : a customised solution to reduce your supply chain costs

A pallet rental-management service for the consumer goods markets: a cost-saving logistics choice

Supply chain cost reduction requires good pallet management. Distribution, storage, transport, display, etc. – pallets determine the profitability of your operations at every stage of your supply chain :

- **Renting pallets instead of buying them?**

What if this was the first step to reducing your supply chain costs?

- **Are you concerned about pallet damage, raw material shortages, delivery problems or storage costs?**

Pallet rental offers an all-round solution to improve your supply chain management. LPR's standard pallet and half-pallet formats have been created to work in all of the sectors of the fast moving consumer goods markets. This means that the risk of your products being rejected is removed.. Why? Because your customers will not accept poor quality pallets. LPR pallets are accepted by all European retailers and distributors, and are suitable for automated handling and storage systems.

- **And what if demand for your products fluctuates suddenly?**

Your pallet supplier must be able to react quickly to support your business. Make sure you have the right wooden pallets, in the right place, at the right time!



Pallet pooling reduces your logistics costs

LPR, the pallet rental-management company supplies the best pallets for your supply chain. Instead of single-use pallets, we supply reusable pallets to our pallet rental customers. Our pallets are made from PEFC certified wood from sustainably and responsibly managed forests.

Our pallet rental-management system is based on a circular economy principle that has a number of economic advantages for your logistics management. As a comprehensive solution, pallet pooling releases you from complicated and cumbersome management tasks.

After each use, the pallet rental company collects the pallet, which is then inspected and repaired if necessary, before being reintroduced into the system. Our Europe-wide pallet rental service guarantees an optimum transport strategy. Truck loading is optimised to avoid empty transport miles. Itineraries are planned carefully to meet this goal, and our tracking tool enables you to locate your pallets in real time.

Are you looking for an efficient solution to reduce your supply chain costs? Are you looking to optimise your logistics management?

Our pallet rental service offers a customised, reliable and economic solution. A five-star service that can be constantly adjusted to meet your needs. Covering pallet delivery, transport, storage and collection, our pallet pooling service manages the entire process for you.

Contact us to see how we can reduce your logistics costs and improve your supply chain!

More info ?

Would you like to find out more about our products and our logistics services? Please visit our website or contact us directly via sales.uk@lpr.eu

Contact us!