

Fabrics- Textile Industry: Case Study

HISTORY:

Client Company is a leading **manufacturer of woven jacquard fabrics** for the high end home furnishing industry, with additional contract fabric lines selling to automotive interior, office furniture, wall coverings and free standing panel manufacturers.

Client Company and its parent company, a MA based firm involved in the same industry, **maintains several weaving, finishing and dyeing facilities in central NC, TX and MA.** Subject Company was purchased by the parent company from a larger MI based fabrics producer whose business plan dictated they divest themselves from the home furnishing fabrics business to concentrate entirely on automotive fabrics. The MI based company **maintained a private fleet which served much of the distribution and supply chain needs of the company.** This private fleet also procured and managed all purchased transportation requirements for the company as well.

The MA based parent company of the subject company had been a DSI client for a number of years, and **requested that DSI provide an assessment** of current logistics and supply chain requirements and costs.

THE ASSESSMENT PROCESS:

The first step in the assessment process was to set up a database for analysis of **two months** of historical freight transactions represented by the actual paid invoices. Data selected for assessment represented the most current two month period available. DSI recorded **38 unique data** fields for each of the **1,874 invoices** collected for this two month period. Discussion about seasonality or peaks and valleys in material purchases and finished goods shipments insured that the **data sample was representative** of typical activity and not skewed by any seasonality issues. An annual projection of expenditure on the two month data forecasted a **\$3.4 million** dollar spend on all transportation related expenses. It was confirmed from the company's profit and loss statements that this **projected annual spend tied to their annual reported line item expense** for transportation costs.

Assessment data was sorted by modal requirements of

Canadian LTL- .	0.11% of total spend
Expedited-	20.88% of total spend
Long Haul LTL-	2.00% of total spend
Long Haul TL-	2.47% of total spend
Intra NC Plant Shuttle-	53.38% of total spend
Intra NC LTL-	14.73% of total spend
S.E. Regional LTL	5.43% of total spend
S.E. Regional TL-	1.00% of total spend

DSI's RFP DATABASE:

Assessment data was run through DSI's proprietary database for comparative cost analysis for each of the required modes. DSI's conducts hundreds of RFP's (Requests for Proposals) each year. **Comparative costs** are calculated by comparing historical pricing and costs achieved through actual RFP's previously conducted by DSI's for existing and prospective clients who have similar profile modal requirements and annual volumes.

Projections from this analysis resulted in an estimated annual savings of nine hundred & fifty seven thousand, eight hundred and fifty five dollars **\$957,855 dollars** or a reduction in total annual spend of: **28.2%**

FACILITIES INTERVIEWS & RESEARCH

DSI conducted a series of interviews and discussion with each facility manager and shipping and receiving personnel to establish the **business rules** concerning satisfactory carrier performance for each facility. These business rules become **minimum service requirements** used in the RFP process and include among others; information on hours of operation, appointment policies, transit time expectations and requirements, driver requirements at pick up and delivery, and special handling instructions. In short these minimum service requirements are communicated to all RFP participants and become a condition for bid acceptance and performance.

SHUTTLE SCHEDULING

During this interview process it was learned that the intra plant shuttle activity which required a spotted trailer pool at all facilities, was set up on a time **schedule not specifically tied to production peak periods** and was developed to insure that looms and weaving facilities were supplied with dyed yarns and finishing plants were supplied with woven fabric within hours, regardless of available quantities. As a short run producer, the constant set up and take down of beams for loom operations and return of fabric racks saw **same day deliveries** on 53 ft. trailers arriving at each facility with **small quantities** on board.

THE RFP PROCESS

With facilities and key personnel interviews completed and with an historical database of shipment history as benchmark data, a review of DSI's carrier database was conducted to find all qualified carriers for all modal and service requirements evidenced in the historical database to finalize a distribution list of all RFP carrier participants. In all **forty four (44) qualified carriers** were selected for participation in the RFP program.

Carriers were qualified on the basis of being able to **meet or exceed minimum service requirements** as identified in a **uniform disclosure** bid package document prepared by and used in all discussions and negotiations conducted by DSI. This comprehensive bid package is distributed to all carriers with deadline for bid submissions.

All carriers were required to base their pricing on **common rate and mileage programs** to facilitate the bid analysis.

RECEIPT OF BIDS:

As bids were received by DSI they were catalogued and analyzed for missing information. A series of meeting and telephone calls are made to clarify key elements of the bids and to **further negotiate** with bid participants.

BID RESULTS-IMPACT STUDY

Upon receipt and finalization of all bids, **pricing proposals were applied by mode for all participants to the historical activity** evidenced in the assessment database. Each shipment was rated in the respective service area for carriers for whom a bid was received by the bid deadline. **Dollar savings by mode, by carrier were calculated against the historical costs for the two month period and then projected annually by a factor of six (6).** DSI then shared this analysis with the client and recommendations were made by DSI for a core carrier group to serve the needs of the client under a one year contract. The **recommended core carrier group consisted of eight (8) carriers** for all modal and service requirements.

BID RESULTS-IMPACT STUDY-Continued

The Impact Study for this client when completed and presented projected a total **annual savings of one million two hundred & sixty thousand, four hundred & seventy four dollars (\$1,260,474.)** The following is a projection of annual savings by mode:

Canadian LTL- .	.05% of total projected savings
Expedited-	18.89% of total projected savings
Long Haul LTL-	2.52% of total projected savings
Long Haul TL-	3.16% of total projected savings
Intra NC Plant Shuttle-	53.25% of total projected savings
Intra NC LTL-	14.58% of total projected savings
S.E. Regional LTL	5.98% of total projected savings
S.E. Regional TL-	1.57% of total projected savings

CONTRACT DESIGN, DEVELOPMENT & IMPLEMENTATION

Contracts implemented by DSI were service specific, contained all “minimum bid requirements” incorporating all agreed upon business rules and contain a table of negotiated rates and charges to be applied to shipment activity during the term of the **one year contract**. These contracts were **by and between the participating carriers and the client**. DSI was not a party of the agreements but acted as a facilitator in this process.

ROUTE GUIDE DEVELOPMENT & IMPLEMENTATION

With contracts executed and implemented for all core carriers, routing guides were then compiled for distribution. These guides were set up for all **vendors who ship inbound collect** to client locations, **all client shipping locations who ship outbound prepaid**. In addition a set of **Default Guides** were developed to address all vendors not specifically identified in the Inbound Routing Guides, any and all new shipping locations and for any third party movements of goods and materials not in or out of a client location but billed to the client. These guides provided for **primary and secondary carries** for all modal requirements and where **weight and service specific**. (*Please see sample copies of DSI Routing Instructions on our Audit, Payment & Management Reporting page.*). All routing guides were distributed on a **return receipt basis** and included a **Return Receipt Acknowledgement Letter(RRAL)**. Recipients were required to return the RRAL and in doing so they acknowledged **(1)** The receipt of the route guide package **(2)** their understanding of the routing instructions **(3)** their financial obligation in following the routing instructions.

INTRODUCTORY SEMINAR

Prior to program launch an Introductory Seminar was conducted on site at client's corporate offices. This **four hour (4) seminar** was conducted for shipping, receiving, purchasing, customer service, accounts payable and financial personnel to orient all departments who interface with the logistics function and addressed the following subjects:

1. Distribution of and Orientation to the Corporate Route Guide Program
2. Program Compliance Objectives
3. Non Compliance Reporting
4. The Cost of Non Compliance
5. Keeping the Route Guides Updated Through Route Guide Supplements
6. Orientation to DSI's APMR (Audit, Payment & Management Reporting) Systems
7. Review and Overview of Participating Core Carriers
8. Standard Service vs. Expedite Services
9. Orientation to DSI's IRRS (Internet Rating & Routing Service) Program to Address Expedited Requirements
10. Projected Annual Savings and other Program Benefits

AUDIT, PAYMENT & MANAGEMENT REPORTING (APMR)

The **key to successful implementation** and on going oversight and management to all DSI programs **is our APMR system.**

All freight invoices for shipments made on or after the program launch date were received, audited, data entered and paid by DSI through DSI's APMR system. For an invoice to be processed and paid through this system all domestic **invoices** were required to be **documented by a copy of the original bill of lading**, and all international shipments were required to be documented with copies of the ocean or air bill of lading, entry summary, and packing lists. Any improperly documented invoice is returned to the carrier for back up documents.

Each properly documented invoice is **audited to the penny by the contract rates** negotiated through the RFP process and client specific **GL (general ledger) codes are assigned** to each invoice or invoice component. Invoice **cuts** are made as necessary for improperly rated invoices and short paid **with tariff authority references to the carrier.** All invoices are entered into DSI's proprietary APMR database for future reference and reporting.

AUDIT, PAYMENT & MANAGEMENT REPORTING (APMR)

In addition to invoice amount **accuracy audits**, each invoice was **audited for program compliance** insuring that route guide specified carriers were used as specified in those routing guides. Non compliance reports were generated for all shipments not properly routed through the route guide system. These **non compliance reports itemized the lost savings** opportunities, comparing route guide carrier cost to non compliance carrier costs. In the case of inbound shipments, **Vendor Charge Back** reports were generated which allowed our client to charge back the lost savings resulting from the vendors non-compliance. Shipping supervisors used these reports to monitor and correct non-compliance routing generated by dock personnel.

Finally, monthly **Program Savings Reports are generated**. These savings reports rate all program invoices twice. The **first rate pass rates all invoices by pre-program existing benchmark pricing**. The **second rate pass rates all invoices by post-program negotiated contract rates**. These reports allowed our client to **monitor savings** throughout the term of the contract.

Please visit our APMR page for more information on this system. (Link to APMR Page)

RETROSPECTIVE- KEY PROGRAM COMPONENTS- ACTUAL RESULTS

The two single largest modal requirements for the client were **expedited**, time sensitive shipments and the **intra plant shuttle** program, respectively representing approximately **seventy four percent (74%) of all historical expense**.

Expedited shipping requirements were and are by nature unpredictable, short notice, unique, non repetitive requirements that would **not lend themselves easily to a negotiated pricing approach**. DSI's proprietary **IRRS (Internet Rating & Routing Service) program was used to leverage all expedited requirements in a spot market on-line bid process** that leveraged several expedited specialists for each of three basic expedited mode subsets: Air Cargo, Surface Expedite and Air Charter. The resultant synergies and dynamics of this program allowed the client to **take advantage of load capacities, pre-planned load requirements other real -time factors** among the many pre-qualified carrier participants in the IRRS program, resulting in significant documented savings.

Please visit our IRRS demonstration on OUR TECHNOLOGY Page (Link to Our Technology)

RETROSPECTIVE- KEY PROGRAM COMPONENTS- ACTUAL RESULTS-
Continued

DSI's detailed research and facility interviews revealed **several flaws in the planning and execution of intra plant scheduling.** DSI carefully plotted production schedules and material requirements for those production schedules for all plant locations to design, develop and **coordinate a J.I.T (Just in Time) shuttle schedule.** This J.I.T shuttle schedule eliminated duplicate runs for materials and dunnage not required by each specific plant's production schedules. DSI was further able to **negotiate truckload and half (1/2) truckload pricing** for those deliveries where smaller quantities were shipped. These negotiations allowed shuttle carriers to more closely **match equipment capacities with load requirements.**

Opening & Ending Paragraph:

SUMMARY

Through the use of leveraged and professionally conducted formal **RFP processes,** in depth **plant and facility interviews, J.I.T scheduling and internet based proprietary technology** DSI's first year savings as documented by Program Savings Reports resulted in a total **first year savings** for this client of: one million, four hundred, eight thousand, five hundred and forty dollars (**\$1,408,540.**) Further savings in freight audit error recovery, fuel surcharge avoidance, GRI (General Rate Increase) avoidance and clerical staff reductions and/or redeployments in combination with a dedicated call center maintained by DSI for all logistics and planning issues has contributed to the consistent renewal of DSI's contract with this client. **READ MORE.....---->**