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# Save fuel through efficiencies in distribution

As the new fuel prices loom, bringing South Africa to its highest recorded fuel price, companies heavily invested in distribution need to manage and reduce logistics costs.

By Grant Marshbank 4 Jul 2013

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The key to securing savings of anywhere from 10-25% on logistics costs - savings that will endure long aft the fuel price drops - is to focus on greater efficiencies in terms of distribution.

## Five focus areas:

1. ***Apply smarter strategy*** - by using an exercise that has done periodically (network modelling), it allo one to determine the most efficient way of doing business. Factors include, amongst others, determining the best possible geographic location of warehouses, comparing supply chain costs, determining the impact on transport costs when using one's own vehicles for inter-warehouse transfe and comparing one's supply chain $CO_2$ footprint. This exercise is vital for determining whether one's current operation is optimised and, if going after certain new business will be profitable.

2. ***Optimise routes*** - ensuring that the least number of vehicles drive the least amount of kilometres is the goal of route optimisation. This works by feeding data - what needs to be delivered, to where and when - into a system, that generates a set of routes. Smart tools are available for both SMEs and larg companies to ensure that the load is spread evenly across available delivery days. There is no point i having vehicles stationary one day and maxed out on others.

3. ***Ensure proper execution*** - armed with a set of efficient routes, the company now needs to ensure they are being used. This is achieved by combining data from each vehicle's tracking device and comparing it to the routes generated by the route optimisation tool. The system enables one to see o a map and Gantt chart where one's vehicle is versus where it should be.

4. ***Automate processes*** - this does not directly decrease fuel costs but removes inefficiencies that res in cost and time savings. For example, most delivery processes are manual, which wastes time. However, by integrating data from a company's ordering system with a driver's smartphone, acceptan of goods can be automated and an electronic proof of delivery sent immediately, enabling invoicing t take place that much faster. By automating these basic business processes - of which invoicing is jus one example - companies can get more from their resources such as people and trucks.

5. ***Integrate systems and reporting*** - a company's reporting is typically based on data from a single system. In cases where a company combines data from multiple systems, this is typically manual, wh can be inefficient. By integrating systems, companies can transfer data seamlessly, enabling more

effective reporting that gives complete visibility of the entire supply chain in real time. By combining salary and overtime data, data from distribution systems and data from one's ERP (eg revenue, costs margins), one can calculate the profitability of routes or the root cause of overtime, all in real time. The possibilities for enabling better informed decisions are endless.

Typical savings, when adopting the above technologies, are between 10% and 25%. Most of these solutic can be implemented quickly and this will result in a favourable return on investment for the company from t first month.

## ABOUT THE AUTHOR

Grant Marshbank is the chief operations officer for VSc Solutions.