

# Freight Spend Optimization at Medical Device Manufacturer

Total outbound freight spend represented 4% of sales at a \$3B medical device manufacturer, with inefficiencies across air, ocean, ground, and small parcel transportation modes contributing to unnecessary costs. Shipments per Order was too high representing about \$830K in wasted spend annually.

Analyze freight spend across all transportation modes and implement strategies to optimize costs while maintaining service levels and reduce shipments per order to < 2.0

## Approach:

- Conducted a detailed cost analysis by transportation mode, identifying cost drivers and areas of inefficiency.
- Collaborated with logistics and operations teams to implement tailored action plans for each mode, including mode shifts, improved carrier negotiations, and routing optimization.
  - Air Minimize/ Eliminate wherever possible & reverted iStore customers to ground shipments
  - Ocean FCL / LCL Ensure compliance to routing guides
  - Ground FTL / LTL- Ensure compliance & minimize expedited shipments
  - Small Parcel Optimize by service levels
- Consolidated customer orders / Mandated master pack quantities.
- Redesigned current carton dimensions to reduce dead space.
- Reduced Shipments/Order through Kaizen & lean six sigma methodologies.
- Regularly tracked freight spend KPIs to measure the impact of the changes and identify further improvement opportunities.

### **Business Outcomes:**

- Reduced global outbound freight spend by 14 basis points
- Eliminated Air Shipping: ~\$1.0MM
- Box Optimization: \$420K
- 50% reduction in # boxes/shipment
- Reduction in number of expedited shipments (30% to 15%)
- Shipments per Order reduced to 2.2 (\$356K savings in freight)



# 120%

100% 80% 60% 40% 20% 0%

