From loss-making to breakeven in a year

A UK mobile phone retailer had striven unsuccessfully for two years to cut costs. Its major cost centre was a warehousing and logistics operation based at West Midlands premises gained through an acquisition made five years previously.

Diagnosing the problems

When the company asked for my help, my first priority was to understand the cost drivers in the organisation and the value they added to the business proposition. I found that the major costs were transportation and headcount.

Reducing transport costs

Transportation is often a major cost for a retailer, so I tackled this first.

The client had its own vehicle fleet but used the services of a national carrier, effectively managing the carrier's drivers and delivery routes. I advised the company to recruit a transport manager. Bringing transport in-house eliminated the carrier's annual management fee of over £200,000.

We also generated extra income by setting up contracts with partners who were interested in using the previously unused "back load" capacity of the trucks.

Improving process flow and automation

Headcount was another major cost, as the operation was highly labour intensive. I helped re-engineer the process flow to achieve a flexible, fast, low-error and low-cost system that could operate 24/7. Using radio frequency identity (RFID) tags on individual items, pallets and vehicles allowed a high degree of automation and a payback of less than 12 months.

Further negotiation with major suppliers ensured that they delivered goods already tagged.

The process took 12 months, and the reduced need for labour meant that there was no need to replace staff who left.

The transformation

These relatively painless cost reductions transformed the company from a loss-maker to a breakeven business by the end of year one, and laid the groundwork for future profitability.

For more information about company mentoring, **email me** or call me on **020 7099 2621**.