one One Network Enterprises™

Maximizing On-Time In-Full (OTIF) Performance in the CPG Supply Chain

With major retailers setting aggressive on-time, in-full delivery targets (like 98% at Walmart) and stiff penalties as high as 3% of the Cost of Goods Sold, suppliers need to take a dramatically different approach. One Network Enterprises has the multi-party business network platform to help companies meet these targets consistently, ensure high service levels, minimize chargebacks, and maximize competitiveness in a new and unforgiving retail landscape.

Substantial Business Benefits

For CPG companies the cost of poor OTIF performance can quickly add up to millions of dollars a year in penalties and lost sales. One Network's NEO Platform helps you maximize OTIF performance, as you drive out risks and costs:

1. Minimize Direct OTIF Penalties
- If the average cost per load is approximately $50,000, and
- If the chargeback penalty is 3% COGS per late load (as with Walmart),
- Then the chargeback per late load is $1,500.
- If there are approximately 30,000 shipments per year, and
- If 79% are on-time (and 21% are late with 19% falling short of the 98% OTIF requirement),
- Then the total annual cost in penalties is $8.55M.

2. Minimize Cost of Returned Trucks
- If 25% of late loads are returned,
- And the cost of a returned load is approximately $800 on average,
- Then the total cost incurred annually is $1.26M.

3. Minimize Cost of Spot Calls (Additional Freight Expense)
- If 21% of the loads are late, and
- The company has more spot calls (higher rates that are not contracted with their carriers), and
- These amount to 25% more ($200 per load) for late transportation moves,
- Then the total additional cost for spot calls is $1.26M.

4. Minimize Cost of Lost Sales
- If the margin is 10% per load ($5,000), and
- The amount of lost sales is approximately 5% per late load,
- Then the total cost of lost sales is $1.58M.

So, a large CPG can easily waste $11M a year in OTIF penalties and associated transportation costs, in addition to the cost of lost sales, market share, and competitive position on the shelf.

Highlights of One Network's OTIF Control Tower Solution

Allocated ATP and Inventory Allocation Services give CPG companies control over how inventory is allocated, and which customers get priority. By factoring in expected chargebacks into the allocation rules, companies have a powerful tool for avoiding and reducing chargebacks, and increasing margins.

Telematics provides accurate real time information to track all products, orders and movements (including outsourced transportation vendors), so companies can see problems immediately, and can address them sooner.

Descriptive Analytics help CPG companies understand every single failure as well as what caused it. Understand the root cause, so you can fix and mitigate problems in future. With all facts in hand, companies can argue their case to avoid chargebacks when errors occur, and do so efficiently.

Predictive and Prescriptive Analytics help companies see problems before they occur and provide advanced optimization and AI/ML algorithms to optimally resolve problems.

Visibility to See Delays at the Source. With NEO, CPG companies can ensure carriers provide real-time information to avoid pick up delays at CPG facilities (late shows) that are often a cause of delays. It's critical that the entire transportation network is monitored pre-pickup (before arrival at a CPG plant or a DC). If you only have visibility into delivery routes, the shipment could have started late and you will have no visibility into the original cause. The NEO Platform helps ensure that the appropriate party is held accountable and that problems can be mitigated in future.

Find Alternatives Faster within the Scheduling Window. Contracts between Walmart and major CPG companies can have a delivery date SLA of several days from the time an order is placed. For example, the contractual agreement could be up to 7 days. Chargebacks should be linked to this contractual agreement (SLA expectation), but often they are not. Chargebacks are usually linked to late arrivals at the DC dock door, scheduled in advance. The key point is that if you re-schedule within your 7-day delivery window, you won't be considered late, and won't be subject to chargebacks. One Network provides greater visibility in controlling and adjusting delivery schedules to minimize penalties.
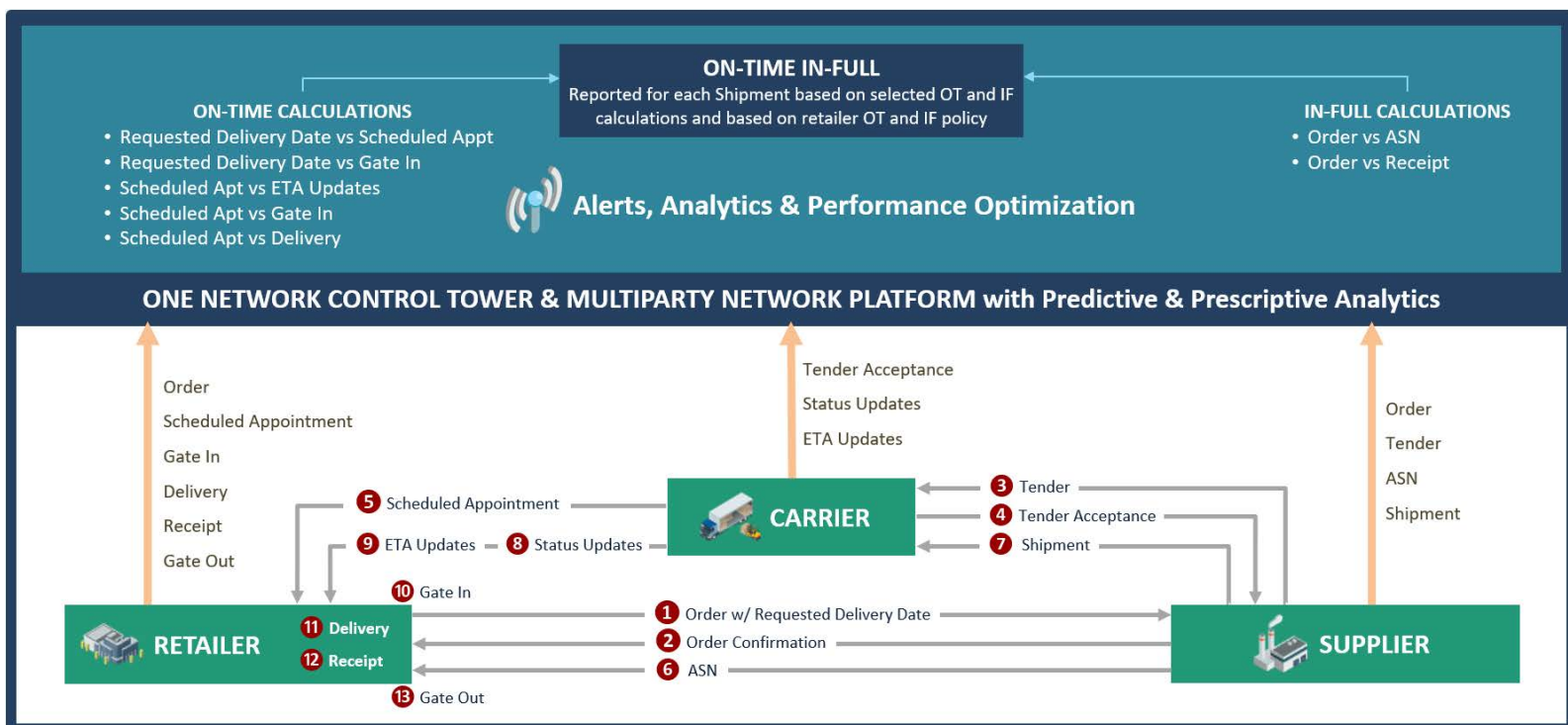
One Network's NEO Platform is designed to maximize OTIF performance in ways that are unachievable using any other platform. In our experience, companies can begin to see dramatic returns on investment in less than six months. One Network is a Gartner Leader in Multi-Enterprise Supply Chain Business Networks (MESCBN) and a Nucleus Research Leader in Supply Chain Control Tower Technology. Please contact One Network Enterprises to learn more.