

24 Ideas for Saving Supply Chain Costs

Checklist of cost-cutting tips for Sourcing, Procurement and Logistics with high potential return

We limit supply chain performance potential when short-term cost goals are prioritized over long-term business value. Reducing supply chain costs is further complicated by supplier substitution, outsourcing, supplier refinancing and inventory changes.

How do supply chain leaders control supply chain costs amid disruption? By developing cost analysis models aligned to the scope and performance objectives of key operating outcomes like demand fulfillment, product supply and new products/businesses.

Use this checklist of supply chain cost-savings ideas to justify your cost decisions based on their potential to improve specific operating outcomes.



Business Process	Sample Cost-Savings Tactics
Sourcing	• Increase low-cost country sourcing. • Outsource a category of spend. • Establish a business-led buying program for certain categories of spend or within certain thresholds. • Limit requirements for competitive bidding to a certain threshold. • Leverage a vendor management service/vendor service provider.
Inventory Management	• Reduce inventory levels by shifting ownership to suppliers. • Enhance product tracking from the point of production through the point of sale by using RFID tags. • Increase inventory turnover time by using hurdle rates to fight production of slow-moving inventory.
Distribution and Warehousing	• Establish mixing centers that receive shipments from manufacturing plants and hold products until requested by customers, to combine orders on a single truck. • Reduce costs associated with distribution length by strategically arranging distribution centers based on manufacturing processes and customer demand. • Establish a system of prepicking orders to advance order assembly in warehouses, decrease drivers' time in the warehouse and reduce delivery time. • Cut inventory carrying costs by establishing cross-docking operations.
Logistics	• Improve collaboration and contract negotiations by streamlining transport operations. • Minimize inbound logistics costs by mandating that suppliers use a single-source logistics provider. • Reduce truck spend by conducting an activity-based cost assessment. • Reduce fuel spend by developing a fuel hedging strategy to offset the risk of rising diesel fuel surcharges. • Reduce international shipping costs by working with companies shipping between the same regions to reduce the number of miles a carrier travels at below capacity. • Reduce excess logistic spend by mapping the logistics network. • Improve cost-savings strategy by collaborating with external logistics providers on generating cost-savings ideas.
Supplier Management	• Concentrate spending in fewer suppliers for volume discounts and to improve supplier focus. • Consider multiyear supply agreements that mandate continual and accurate material forecasting and usage communication. • Manage Total Cost of Ownership (TCO) through information sharing and process integration. • Invest in a contract life cycle management system to minimize rushed contract renegotiation. • Innovate with suppliers to reduce costs, improve efficiency and unlock hidden value.

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