

White Paper



Logistics Audit

Identifying Fields of Action to Optimize
Service, Quality and Costs

A White Paper by Stephen Klein,
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**Increasing digitization and automation
require constant assessment
of logistics as well as adaptation
to corporate goals.**

Introduction

How can productivity and space efficiency be increased? Or how can the current throughput time in the warehouse be reduced? Is it possible to achieve an increase in throughput or a general improvement of quality for entrenched structures?

These are some of the questions that can be answered by a logistics audit. Possible reasons for a logistics and supply chain structures that have grown over the years, for example, due to the acquisition of other companies or expansion at one's own site.

Moreover, the requirements and the general framework have seriously changed for many companies: Shorter service times, an increase in returns, global sourcing as well as increasing digitization and automation require constant assessment of logistics for efficiency, reactivity as well as an adaptation to corporate goals.

The logistics audit analyzes and optimizes step-by-step the company's overall performance on the different operative levels and increases the efficiency of the operating processes.

This white paper provides insight into how potentials are identified in a logistics audit and how implementation measures can be planned.



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A Holistic Approach to Logistics

Competitive advantages are gained or enhanced by a logistics audit.

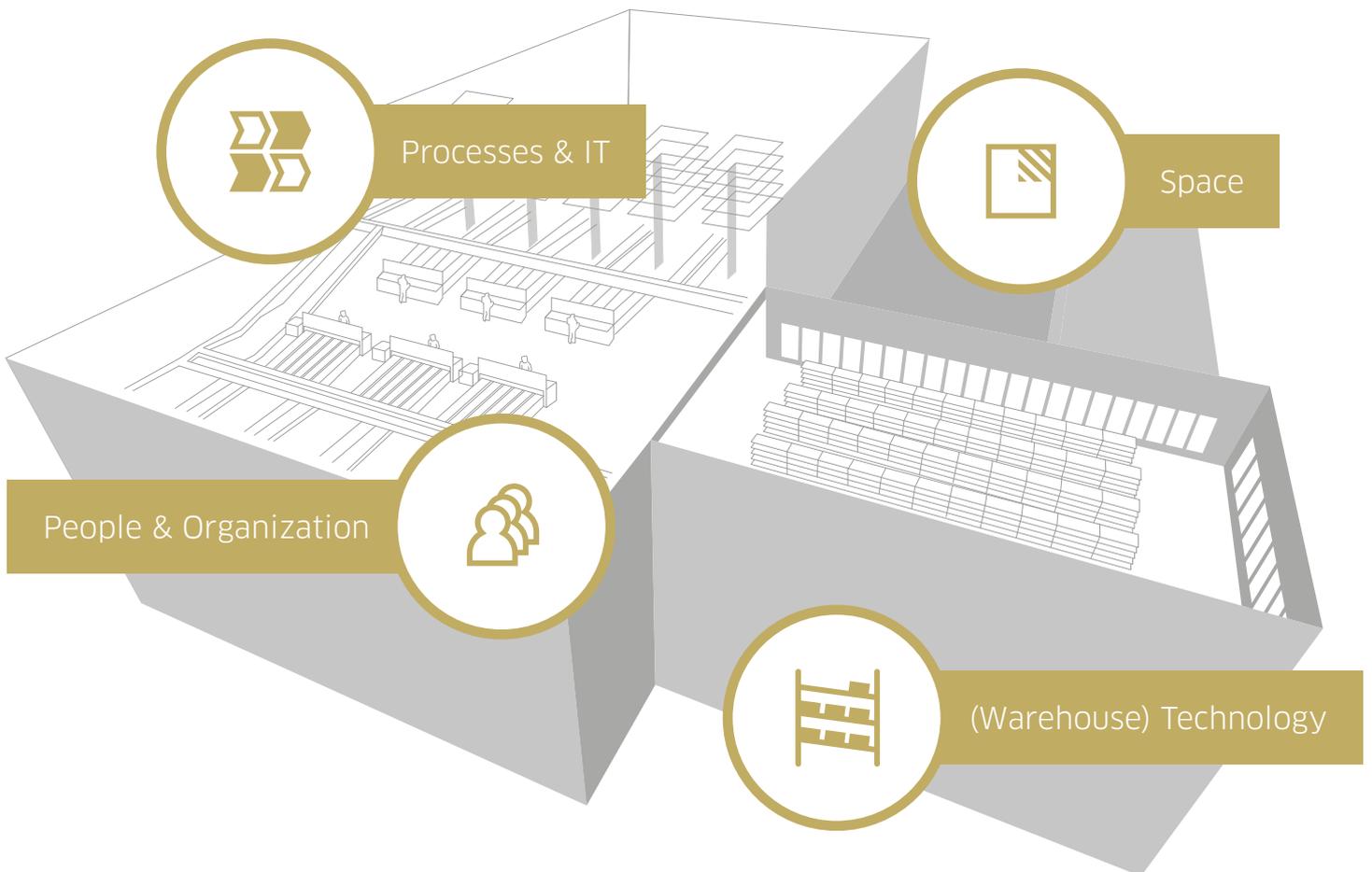
It offers the potential to reduce the total costs of logistics and supply chain. Regular audits increase process transparency and draw attention to deviations from defined target processes. The quality of logistics, such as delivery service, will be improved and cost drivers, such as too long lead times or delays, will be identified and eliminated.

Potentials for cost reduction and improvement of service and quality across logistics are identified and evaluated using a holistic approach, taking the market and the corporate environment into consideration. The analysis refers to the current situation with regards to possible future scenarios. In addition to measures for the medium-to-long term, so-called quick wins will be identified that can quickly be implemented and will immediately result in cost reductions and performance improvements. Organizing and structuring the project are essential prerequisites for a successful audit. The appropriate measure to this end is setting up an independent project which will be carried out according to a defined schedule.

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Achieve Optimum Results Using Integrated Analysis

Analyses of current situation, vulnerabilities and potentials -
in short: logistics audit



1 Situation Analysis and Visualization

All project participants should be invited to a kick-off meeting for the

situation analysis to discuss and determine goals and procedures. A chart showing the flow of materials should be created based on current data to identify the main flows of materials. Additionally,

order structure and stock situation should be analyzed. It is already important to consider growth scenarios or planned changes for a holistic approach.

2

Identification of Bottlenecks and Vulnerabilities

As a first step, the entire location should be inspected, process interviews conducted, and data analyses carried out to fully evaluate all cost drivers. Then it is important to collect relevant KPIs (key performance indicators / performance metrics) and to compare them with best-in-class processes of the industry (benchmarking). In this way, areas

for strong improvement can be identified and the potential for cost reduction roughly estimated. Within the context of process examination

all processes should be analyzed for anomalies and vulnerabilities. Emphasis can be put on processes, infrastructure or organization. Vulnerabilities and bottlenecks must then be prioritized according to their estimated potential in order to choose and subsequently eliminate the most promising cost drivers.

3

Identify Potentials for Improvement and Evaluate Courses of Action

Solutions can be worked out based on the identified vulnerabilities. The project team should decide which courses of action should be taken. When working out alternative solutions to the respective courses of action their economic impact (qualitative and quantitative impact)

must be evaluated. This will allow solutions according to their efficiency. During a joint workshop the solution approaches to be pursued will be selected. They will be clustered according to solution concepts to show potentials for cost reduction and performance.

4

Implementation Roadmap

After successfully identifying the cost drivers and working out solution concepts it is necessary to specify them. It is recommended to create fact sheets for each concept containing explanatory descriptions of

the measures and a cost estimate. Then a schedule should be worked out to arrange the recommended solutions contingent on their duration and possible dependencies within the corporate environment

(e.g. other projects or contract terms) for further work in the overall context. Finally, the audit results in a master plan, allowing successful implementation of the measures.

The Benefit of a Logistics Audit

The audit provides a basis for the efficient and effective project progression as all processes from goods receipt to goods out are examined. The suggested course of action for the project identifies the key processes with the highest potential for improvement. But the structure within the organization will also be specified and developed. Improvement measures are checked for maximum profitability and the best solution concepts are integrated into an implementation plan. From our own project experience, we know that the costs for a logistics audit will, in general, pay for itself within 3-4 months.

A logistics audit removes process bottlenecks by means of restructurings. Service levels and the quality of logistics will be increased, and logistics areas can be used optimally. A logistics audit is, therefore, the first step to sustainably improve the location.

Project Example to Evaluate Potentials and Courses of Action

- Process
- Infrastructure
- Organization



Logistics Audit Success Factors



Independent perspective



Standardizes procedure
with checklists, comparison
with common vulnerabilities,
predefined visualizations



Quick evaluation of potentials
with benchmarks
& comparative projects



Project managed by experienced
warehouse-planning experts
with expertise in processes,
technology and IT

A person's hands are shown holding a tablet computer in a factory or industrial setting. The background is filled with blurred machinery, conveyor belts, and industrial equipment, suggesting a busy manufacturing environment. The person is wearing a dark grey long-sleeved shirt. The text is overlaid on the tablet screen.

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Miebach Consulting: The Supply Chain Engineers



Miebach Group

Founded in 1973 by Dr.-Ing. Joachim Miebach in Frankfurt, Miebach Group offers international supply chain consulting as well as logistics and production engineering to large and medium-sized companies.

Experience of more than 40 years in countless projects led to the methodical approach of Supply Chain Engineering, designing network structures, processes and intralogistics of supply chain. Strategy and technology are equally taken into consideration because only the integration of both elements will render an optimal result.

We offer our services as consulting partner in 24 offices across the world. Miebach has 350 employees and ranges among the internationally leading consultants for logistics and supply chain design. Due to our presence in the key regions Europe, Asia, South and North America we can support our global customers effectively with our local background knowledge.

Expert Know-how

For more than four decades we have been developing innovative logistics solutions with the expertise required for efficient and functional supply chains:

Miebach Consulting's strength is the integration of this expertise to offer holistic solutions which exceed the expectations of our customers. We design strategies, develop commercially viable concepts and specify IT solutions as well as technical installations down to the last detail. We assume responsibility and implement the developed solutions. Furthermore, we support our customers from the commissioning phase to the fine-tuning during live operation. We believe that the extra service helps to achieve our customers' vision in the best possible way. Our permanent R&D initiatives often result in pioneering innovations.

Industry Specialization

Miebach Consulting offers consulting services covering a wide industry range. We think that industry specialization is essential to exactly understand the specific requirements and processes of our customers. But we also believe that the exchange of expertise between industries is the ideal way to develop innovative and best-in-class solutions for our customers.

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- 24 offices worldwide
- 350 employees

We will be gladly available to discuss this topic
with you in person and more.

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