Case Study

A French Logistics Company

Services offered: Business Process Review
Sector/Industry: Logistics Service Providers

Identification of revenue leakages

Context
Our client is one of the key contract logistics service providers of warehousing and distribution services, carrier management service since 2001 in Pune, Maharashtra.

It is a private independent group founded in 1967. The client does not own any vehicle, instead hires the vehicles as required from various suppliers. Therefore, commission is the important source of revenue. In fiscal year 2018-19, company reported revenues of INR 1,650 million. The client is managing 90+ warehouses across 30+ locations and handling 4.50+ million square feet of warehousing space.

Challenges
The management was desirous to review various processes related to logistics, sales and operations. The client approached SKP for professional services in terms of various challenges highlighted below-

- Complex manual data maintained at multiple locations made difficult to review, reconcile and analyse.
- Data maintained in manual excel trackers; it was not sanitized, and trial of changes made by numerous teammate was not captured.
- Complex framework comprising of multiple contractual vendors for providing vehicles on multiple routes; hence difficult to identify the most economical vendor for individual route.

Approach

Understanding The Process
- Extensive study of company procedures relating to revenue transactions
- Identification of gaps in the current process
- Absence of reconciliation process to identify trips in profit/loss
- Complex mechanism to select supplier and assign the trip

Data Analysis
- Reviewing the transactions with agreements to identify revenue was charged correctly.
- Data analytic techniques were adopted to get insights for revenue leakage reviewing data dumps.
- Mapping of data sets to identify cost vs revenue for each transaction processed in system.

Process Streamlining
- Rationalizing the process based on gaps identified during process understanding and data analysis
- Understanding the client's requirements to restructure the process
- Simplification of process by breaking complex mechanism in numerous steps
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Solution
Our solution-oriented approach; helped an organization remediate the process vulnerabilities and revamp exiting process to inject revenue gaps.

Our Role:
• Recommendation to carry out AP and AR reconciliation process on timely basis
• Review of one Lakh transactions for revenue leakages
• Identification of Loss-making transactions/routes
• Setting automated formal methodology of vendor selection for every trip
• Streamlining the current process by designing SOP
• Evaluation of transaction for cost overs

Impact
• Nexdigm (SKP)’s guidance & suggestions were well received by the client and the client appreciated our solutions.
• The revenue leakage aggregating to INR 43 lakhs was identified by our team.
• Operational loopholes were exposed, and assistance was provided to plug the gaps
• Additionally reconciliation was carried out by Nexdigm (SKP) using extensive data analytics highlighting the following:
  • Under billed transactions (INR 7 Lac)
  • Other applicable charges not charged to client (6 Lac)
  • Unbilled trips (INR 5 Lac)
  • Cost Overrun (INR 11 Lac)
• Additionally, “AS IS” & “TO BE” SOP’s were designed for O2C process while ensuring mitigation of risks.

Case Highlights
• Verification of transactions leading to identification of revenue leakage amounting to INR 45 Lakhs
• Simplification of process through elimination of complex mechanism and re-designing the process by fixing the vulnerabilities identified
• Documented re-defined procedure to bring standardization and efficiency in existing process.

For more information on this case study, please contact:

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