

Case Study

A French Logistics Company

Service(s) offered: **Business Process Review**

Sector/Industry: **Logistics Service Providers**



Identification of Revenue Leakages

Our client is one of the key contract logistics service providers of warehousing and distribution services/ carrier management services based out of 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 an important source of revenue. The client is managing 90+ warehouses across 30+ locations and handling 4.5+ million square feet of warehousing space. In financial year 2018-19, the company reported revenues of INR 1,650 million.

Challenges

The management wanted to review various processes related to logistics, sales, and operations. The client approached Nexdigm for professional services in terms of various challenges highlighted below:

- Complex manual data maintained at multiple locations made it difficult to review, reconcile, and analyze
- Data maintained in manual excel trackers; it was not sanitized and changes made by numerous teammates were not captured

Case Highlights

- Verification of transactions leading to identification of revenue leakage amounting to INR 45 lakhs
 - Simplification of processes through the elimination of complex mechanisms and re-designing the process by fixing the vulnerabilities identified
 - Documented re-defined procedure to bring standardization and efficiency into the existing process
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- Complex framework comprising of multiple contractual vendors for providing vehicles on multiple routes. Hence, it was difficult to identify the most economical vendor for an individual route
 - On-boarding of ad-hoc vendors through telephonic discussion and a lack of documentation to verify the agreed terms

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 whether 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 processes by breaking complex mechanisms into numerous steps

Solution

Our solution-oriented approach helped the organization remediate process vulnerabilities and revamp exiting processes to inject revenue gaps.

Nexdigm's role:

- Recommendation to carry out AP and AR reconciliation process on a timely basis
- Review of one lakh transactions for revenue leakages
- Identification of loss-making transactions/routes
- Setting up an automated formal methodology of vendor selection for every trip
- Streamlining the current process by designing SOPs
- Evaluation of transactions for cost overs

Impact

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

For more information on this case study, please write to us at:

ThinkNext@nexdigm.com

You can also visit our website to know how our services resulted in tangible business benefits:

www.nexdigm.com