



Case study:

Arla Foods

ARLA FOODS' DIVISION DENMARK operates a fleet of over 300 trucks and is one of the largest retail distributors in Denmark. It is a demanding operation to coordinate huge production volumes and the onward distribution of dairy products to time constrained customers. Transvision has been developing Arla Foods' transport planning solutions for several years, and today these solutions form the backbone of the distribution and trucking operations of the dairy producer.

ARLA FOODS OPERATES FIVE large dairies in Denmark and here 4.4 million pallets are distributed annually to more than 3,000 customers throughout the country. This corresponds to 1 million tons of goods, which are transported from a total of 45,900 square meters of warehouse space.

However, it does not stop here. After the distribution, the fleet is used for trucking operations where large volumes of goods are transported between the centres and collected from suppliers and local dairies.

High volumes require that approximately 550 drivers work in shifts to operate the 300 plus vehicles which annually cover 28 million kilometres. This incurs significant operational cost for the company and necessitates efficient transportation management as this clearly has a direct influence on Arla Foods overall performance.

Logistic Director Steen H. Madsen says, "Fine-tuning our production and meeting our delivery targets is crucial. The key element is to use our vehicle capacity to the maximum and reduce the number of kilometres driven. This challenge is complicated because of tight delivery time windows."

MAKING IMPROVEMENTS

Steen H. Madsen continues, "Before we got the transportation planning solution from Transvision, the planning was carried out with several different and less advanced tools at all five dairies.

The decision to implement a single planning solution was made from a desire to get better management of the operation and also the ability to perform qualified strategic simulations.

BY USING THE SIMULATION facilities of the system, we periodically perform major reroutes where we "shake the bag" and change our fixed routes. This is where we harvest the significant savings with the solution.

During the simulation, we model various scenarios accounting for customer changes and customer demands, and then calculate new delivery times and routes."



Positive effect on the bottom line



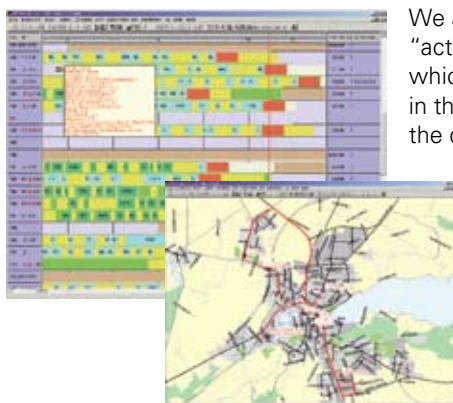
"We would never have been able to create so strong results without the solution," Logistic Director Steen H. Madsen says.

ARLA FOODS' DAILY distribution operates under a fixed route principle in which each route is provisionally over-booked to reduce the risk of low utilisation of capacity. This means that in the daily operation some orders are moved to other routes or to an overspill route which operates around the distribution centre. Creating an accurate and dependable model using this principle would have been difficult without the Transvision solution.

Additionally, the use of real-time wireless communication allows the company to synchronise its planning with the ever changing demands of the day.

The project manager on the planning solutions Kim Sloth Lave continues, "We have integrated the planning solution with mobile terminals in the vehicles. This way the planned solution is updated in real-time and we can re-calculate customer arrival times on the fly thus inform our customers of adjustments to our ETA's; this is a very important and valuable part of the solution.

We also use the real-time or "actual" information to decide which vehicles should be involved in the trucking operation later in the day. The decisions are made in light of the vehicles' actual ending position and ending time. At the same time, we use this operational information for statistics and invoicing."



STRONG ROI

Steen H. Madsen says, "After we integrated the distribution and trucking operations, we immediately saved nine trucks. A part from that, it is difficult to estimate which savings that have come directly from the planning system since other projects have been carried out at the same time.

Nevertheless, we have a feeling that we have realised significant savings and even more can be gained. Just to be able to get an overview and make a follow-up gives a positive effect on the bottom line via:

- Better capacity utilisation and fewer miles driven
- Lowered averaged cost per moved pallet
- Increased general view over orders and resources plus improved operational follow-up
- Increased customer service via warning regarding delays to the customers
- The possibility to carry out strategic and tactical simulations

Steen H. Madsen concludes, "Even though we have had some difficulties in the past with the system, there is no doubt that we have a superb solution now which precisely covers our needs. We would never have been able to create such strong results without the Transvision solution."



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