



**This leading manufacturer of athletic apparel and equipment was looking to reduce spend through transportation management.**

**Hitachi Consulting identified several areas for improvement and helped this company realize \$350,000 in savings within the first year through restructuring the trucking lease. They also increased driver productivity by 25 percent by switching to a pay-for-performance model.**



## C Case Study: Athletic Apparel and Equipment Manufacturer

### Business Challenge

This leading manufacturer of athletic apparel and equipment experienced significant growth, having acquired six companies since their hundredth anniversary in 2002. Like most suppliers to retailers, they've also experienced price pressure. For example, the average sales price per dozen for basic t-shirts dropped from approximately \$60 to approximately \$21 over the past few years.

With that kind of price pressure, the company looked at its transportation process for ways to reduce cost and make service improvements.

The company is a transportation-intensive business. Yarn for a t-shirt is woven into fabric in one location, dyed and cut in another, shipped to Mexico or Central America to be sewn, and then sent to a distribution center in Alabama for shipment to customer sites.

The company looked to Hitachi Consulting for their expertise in transportation management, seeking recommendations for ways to improve visibility into and management of their transportation processes.

### The Solution

Hitachi Consulting kicked off the project with an eight week assessment of the supplier's end-to-end transportation process. First, Hitachi Consulting developed a high level model of the company's current transportation processes and then compared that model to industry "best practices." They then created a list of potential areas for improvement based on the gap analysis. Several areas were included in the list, including:

- network design and inventory optimization,
- load planning and optimization,
- automating global trade management and freight bill payment practices

Next, Hitachi Consulting worked with this manufacturer of athletic apparel to prioritize the areas for improvement, assessing each project's expected return on investment compared to the cost and effort to implement it. As a result, it became clear that one high priority project should focus on improving the management of their private trucking fleet, both in terms of driver pay and in the structure of the tractor and trailer leases.

A team of consultants reviewed the company's driver pay structure and identified that a pay-per-hour compensation plan did not motivate drivers to be productive—to hustle, but hustle safely.

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They agreed to move to an activity-based compensation plan, one that paid on miles traveled and activities completed safely and quickly (such as delivering the goods or switching trailers). Although changes to salary structure are almost always controversial, drivers interpreted the new pay system as both fair and understandable, and adopted it quite easily.

A second team of consultants reviewed the company's truck leasing agreements and found they heavily favored the vendor. After conducting a complete analysis, Hitachi Consulting helped negotiate much better terms and conditions. As a result, the company now operates a newer, more fuel efficient fleet of tractors with significantly lower maintenance costs. Additionally, because the drivers are more productive, they need fewer trucks to provide the same service levels so the total cost of private fleet transportation was drastically reduced.

A third team focused on a longer term high priority, to select and implement a Transportation Management System (TMS) that would support the reengineered processes.

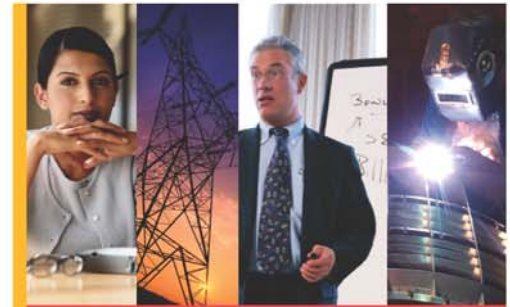
The system needed to support both private fleet operations and outside carrier-provided transportation, both inbound and outbound, and across many modes: truckload, less-than-truck load, parcel, intermodal, ocean and air.

Hitachi Consulting initiated a software evaluation, documenting the supplier's unique business requirements, and made each software vendor show how their system would meet these specific business needs. Hitachi Consulting then developed a "short list" of vendors and wrote demo scripts to guide the company through the selection and negotiation process.

## Results

The restructuring of the trucking lease, alone, saved this athletic apparel and equipment supplier more than \$350,000 within the first year. By switching to a pay-for-performance model, the company was also able to increase driver productivity by 25 percent. Additionally, once the drivers focused on quick turnarounds at stops, warehouse employee productivity increased as well.

The biggest return on investment is yet to come. The company estimates they will realize another \$4 million in savings once the TMS system is in place.



## About Hitachi Consulting

As Hitachi, Ltd.'s (NYSE: HIT) global consulting company, Hitachi Consulting is a recognized leader in delivering proven business and IT solutions to Global 2000 companies across many industries. We leverage decades of business process, vertical industry, and leading-edge technology experience to understand each company's unique business needs. From business strategy development through application deployment, our consultants are committed to helping clients quickly realize measurable business value and achieve sustainable ROI.

Hitachi Consulting's client base includes nearly 30 percent of the Fortune 100 as well as many leading mid-market companies. We offer a client-focused, collaborative approach and transfer knowledge to our clients throughout each engagement. For more information, call 877.664.0010 or visit [www.hitachiconsulting.com](http://www.hitachiconsulting.com)

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