



LOGISTICS COSTS SLASHED FOR UTILITY PROVIDER

Wales & West Utilities is a regulated gas distribution business with approximately 35,000 km of gas distribution pipelines — covering Wales and the South West of England — equating to a 1/6th of the UK, with a population of 7.4 million in its catchment area. Every year, Wales & West Utilities provides 20,000 new gas connections, replaces or repairs 250,000 gas meters and responds to more than 125,000 gas emergency calls, so the need to have a robust logistics operation, ensuring that the correct parts and materials are in the right place at the right time is crucial.

The company's existing outsourced logistics contract was due for renewal, so

Wales & West Utilities decided to engage some independent logistics consultancy expertise to help develop the scope of the tender, which was to be sent out to the pre-tender qualification shortlist of Logistics Services Providers (LSPs). After a thorough selection process — to identify a suitable consultancy to work with — Wales & West Utilities chose Warwickshire-based Gideon Hillman Consulting to develop their Logistics and materials distribution tender scope and support them in the evaluation of the responses for the LSP selection process.

During the consultancy selection process, it was identified by Gideon Hillman Consulting that the proposed competitive tender process

for Wales & West Utilities' logistics and distribution operations could provide the opportunity to completely review their existing logistics strategy and gain significant additional advantages throughout their entire supply chain, rather than just reduce the costs of the current outsourced "hub and spoke" logistics operation. This required a more detailed consultancy project than Wales & West Utilities had initially anticipated, but the potential total supply chain benefits were clearly identified by Gideon Hillman Consulting from the outset.

"We chose to work with Gideon and his team, not only for their significant experience in both logistics tender management and utilities sector logistics operations, but also

because his approach, from the outset of our consultant selection process, was to challenge our initial project brief and provide an alternative strategy to substantially increase the benefits to us,” commented Wales & West Utilities Supply Chain Manager, Andrew Studley. “We found this to be a refreshing and different approach from the other consultants we spoke to, especially as Gideon knew that his proposal was outside our brief and could have eliminated his company from the consultancy selection process. However, their presentation and rationale were convincing, and the results have proven that the decision to progress with Gideon Hillman Consulting was the correct one — as the annual logistics cost savings will be far greater than originally anticipated — with the new strategy being implemented in 2010.”

The consultants worked on site with the Wales & West Utilities project team and reviewed the current end-to-end supply chain process to develop an understanding of the full logistics requirements of the Wales & West Utilities depot networks. This enabled

them to identify all of the potential benefits and gains to provide a more client-focused, outsourced logistics solution. The analysis of the supply chain also defined the future state service level requirements and KPIs, based on current best practice and client needs. Once the current state logistics map and future logistics requirements had been fully understood and agreed with Wales & West Utilities, the tender documents and scope could be finalized and issued to the shortlist of providers. The tender process, which completely changed the logistics strategy that was already in place, resulted in significant annual cost savings — far in excess of that which would have been achieved through just re-tendering the already established hub and spoke logistics operation.

“We worked closely with the Wales & West Utilities joint project team to develop a scope that was tailored to their specific needs, with the objective being that the benefits from the logistics provider relationship were realized at the earliest opportunity,” said Gideon Hillman, Managing Director, FCILT MIBC. As an additional project, Wales & West Utilities

appointed the warehouse design team at Gideon Hillman Consulting to provide CAD designs and budget costs for improved facility layouts at two of their warehouse locations. Hillman added: “We are proud to be associated with Wales & West Utilities because it is a company that likes to work with proactive suppliers, and we are very pleased with the outcomes and benefits that we have helped them to achieve.” •



More information

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