

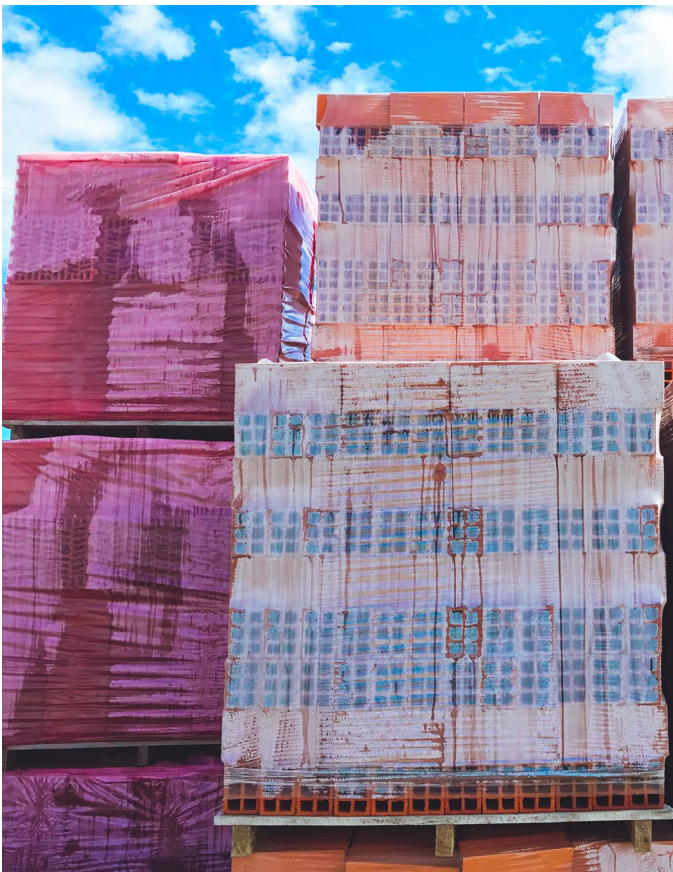


## CORPORATE TRANSFORMATION SERVICES

# BUILDING MATERIALS DISTRIBUTION REDUCING LOGISTICS COSTS THROUGH DATA ANALYTICS AT A LEADING BUILDING MATERIAL BUSINESS

### Introduction

Alvarez & Marsal (A&M) was recently engaged by one of the world's leading building material businesses to develop a practical tool to optimize its distribution network and reduce logistics costs. The client manufactures and distributes products including asphalt, aggregates and cement to professional builders, specialist contractors and DIY customers.



### The Business Challenge



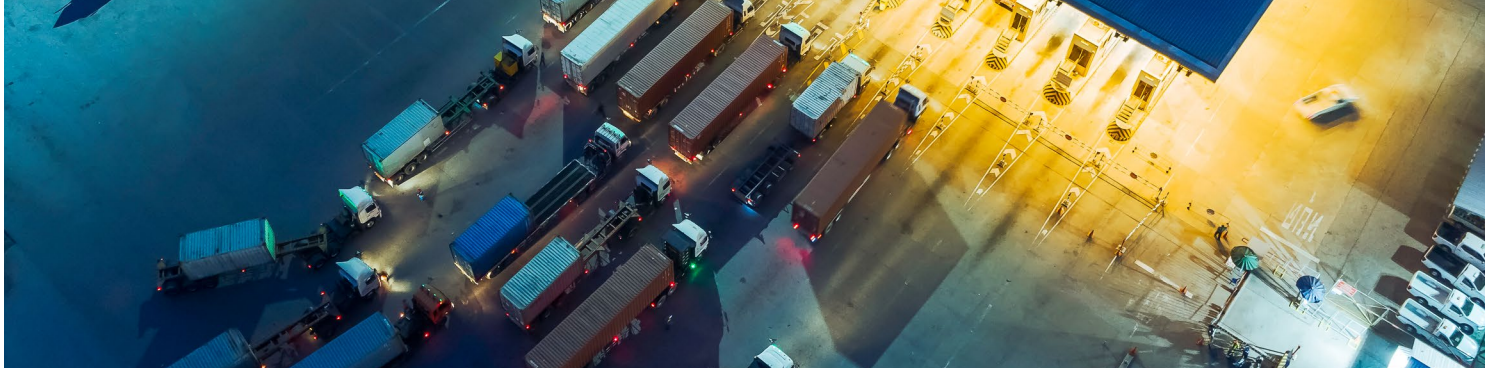
Distribution is a challenging activity for building material companies across the world and can exert great influence on the business' productivity and profitability.

In the cement industry in particular, the product's high weight in relation to commercial value makes logistics one of the highest cost elements in the value chain and limits the geographical coverage of production centres.

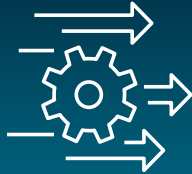
Moreover, the industry's distribution network is extensive, dynamic and complex, comprising hundreds of origination points and customer/delivery destinations.

Our client operated a complex network of shipping points and customers, moving thousands of shipments across the country every day. In recent years, its logistics costs had risen due to legacy processes and systems that were slow to react to an increasingly volatile business environment and to changing production plans. External factors such as the shortage of HGV drivers in the UK were also hitting the company hard.

The company's legacy approach resulted in operational inefficiencies and increased internal costs that were hurting EBITDA margins.



## A&M's Solution



A&M identified an opportunity to optimize the client's logistics network with a view to achieve significant cost savings and improved service levels.

The solution gave the company a practical tool to continuously monitor thousands of distribution routes through data analytics, enabling business leaders to make more informed and quicker logistics decisions with impactful results on profitability.

Historically, the client's route optimization process was executed once a year. This means that once an optimal path for a specific product/client was defined, it would not be revised for the next 12 months unless a major unexpected event had occurred. Another problem was that optimal routes were often not complied with by the business due to internal personnel choices or other factors.

In response to these issues, A&M developed a tailor-made and user-friendly network optimization tool, which allowed the route optimization process to be re-set on a monthly or quarterly basis. This tool uses data analytics to help quantify and operationally bridge the gap between the "ideal" distribution network (now redefined quarterly) and the route that has actually been utilized.

As part of the project, A&M also created a new reporting and compliance system to accurately track non-compliant journeys taking place, as well as the reasons for non-compliance. These inputs are critical to ensure accurate reporting and flag potential improvement areas. They were also used by the finance team to forecast and budget expenses related to logistics and transportation.

## A&M's Impacts



**By highlighting the different scenarios and the cost discrepancy between actual and planned journeys, the network optimization tool provides the company with invaluable, real-time insights that allowed it to make better informed route planning decisions, ultimately tackling inefficiencies and reducing costs.**

In addition, the predictive data analysis enables the business to tweak and adjust optimal routes in real-time to accommodate market demands and other major events (routes interruptions, production disruptions, weather, customs/ border issues, workforce shortages etc.), reducing its vulnerability to external shocks.

Overall, the solution supports the company to fully transform its logistics planning and operations by delivering significant cost improvements, increasing transparency and improving client satisfaction. Importantly, it also enabled the business to reduce its CO2 emissions as a result of optimized routes which effectively shortened distance travelled and reduced the number of trucks on the road.

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## A&M: Leadership. Action. Results.<sup>SM</sup>

A&M's professionals have both operational and advisory experience together with a proven track record in leading businesses through tough, complex situations. To speak to us about our experience delivering transformation and performance improvement initiatives for leading businesses, please visit our website or speak to one of our contacts below.

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### ABOUT ALVAREZ & MARSAL

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) for leadership, action and results. Privately held since its founding in 1983, A&M is a leading global professional services firm that provides advisory, business performance improvement and turnaround management services. When conventional approaches are not enough to create transformation and drive change, clients seek our deep expertise and ability to deliver practical solutions to their unique problems.

With over 6,000 people across five continents, we deliver tangible results for corporates, boards, private equity firms, law firms and government agencies facing complex challenges. Our senior leaders, and their teams, leverage A&M's restructuring heritage to help companies act decisively, catapult growth and accelerate results. We are experienced operators, world-class consultants, former regulators and industry authorities with a shared commitment to telling clients what's really needed for turning change into a strategic business asset, managing risk and unlocking value at every stage of growth.

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