

Success story: Manufacturing How AGCO optimizes transport costs with Supply Chain⁺

AGCO is a global leader in the design, production, and distribution of agricultural solutions. Since entering the Chinese market in 2000, AGCO China has established a domestic production network with three facilities located in Changzhou, Zhejiang and Yanzhou.

In 2016, against a backdrop of increasing competition and cost pressures, AGCO was looking for a solution to sustainably drive cost and performance improvements in their inbound supply chain.

A team of 4flow experts immediately began evaluating steps to reduce costs. In a first step, prerequisites for continuous inbound transport optimization were developed by switching 200+ suppliers from delivered at place (DAP) to free carrier (FCA) incoterm. "Switching incoterms and taking control of the inbound supply chain provided the basis for frequent adjustments to the inbound network to keep up with business dynamics," explains Kelvin Zhu, Program Director AGCO China at 4flow.



In multiple planning sprints a year, 4flow engineers also analyzed and processed the latest demand and transport data to identify and quantify optimization potential. Proven methods for data collection and validation helped to reduce AGCO China's efforts to a minimum. Supported by the state-of-the-art software solution 4flow vista®, the measures implemented for AGCO China ranged from strategic to dynamic optimization:

- > **Strategic redesign of the inbound transportation network**
- > **Incoterm conversion**
- > **Carrier strategy and transport sourcing**
- > **Tactical route design (transport mode, equipment, frequency)**
- > **Truck utilization increase**
- > **Dynamic transport consolidation (e.g., dynamic milk-runs)**

With an approach that focuses on continuous improvement rather than one-time solutions, 4flow ensures a full pipeline of optimization measures at all times - resulting in sustainable cost and performance improvements for AGCO China. As an extended arm to AGCO China's operation team, 4flow not only identifies potential, but also drives implementation until savings are confirmed in the profit and loss statement (P&L).

"You can find many solutions promising short-term cost reductions, but only 4flow's Supply Chain+ approach fully matched our expectations," says Kathy Zhang, Head of Material Planning and Logistics at AGCO China. "With their strong manufacturing and supply chain expertise in combination with a focus on continuous optimization, 4flow convinced us and has helped AGCO to keep its competitive edge in a challenging market environment," she continues.

"With 4flow's Supply Chain+ approach, we were able to reach a sustainable transport cost reduction of more than 20% over the past few years," Jason Xiao, Head of Operations and Purchasing at AGCO China, noted with satisfaction. "This is why we recently extended the cooperation between 4flow and AGCO China for another two years until 2023."

About 4flow

4flow is a leading provider of supply chain consulting, software, and fourth-party logistics (4PL) services. 4flow has been successfully working together with customers in China since 2011. From its office locations in Shanghai, Changzhou, and Hong Kong, 4flow China serves the Asia-Pacific market with German-Chinese teams that combine supply chain expertise with local insight.