




Logistics Optimization for an FMCG player in Indonesia

THE AVALON EDGE

An Indonesian FMCG firm faced high logistics costs due to fragmented warehousing, underutilized assets, and transportation inefficiencies.








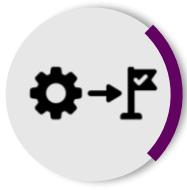
Client Situation

-  A leading FMCG group in Indonesia involved in the production, marketing, and distribution of cooking ingredients
-  Distribution was executed through a combination of owned and third-party logistics infrastructure
-  The client aimed to optimize its logistics function to improve overall profitability, with a focus on reducing inefficiencies in transportation and warehousing



Key Challenges

-  **High logistics expenses** were impacting margins, especially due to inefficiencies in transportation and warehousing
-  **A disjointed warehouse infrastructure**, with overlapping roles and inconsistent volumes, led to high operational overheads
-  **Underutilization of vehicle capacity** and uneven storage demand across warehouses increased costs without corresponding value
-  **Excessive warehousing footprint**, with many warehouses operating below optimal scale, resulting in wasted space and cost inefficiencies
-  **Complex coordination** across distribution points made inventory pooling and consolidation difficult



Avalon's Intervention

01

Conducted a granular diagnostic of logistics operations, including cost structures, flow volumes, and warehouse utilization

02

Developed a network optimization model to test alternative logistics configurations

03

Proposed a redesigned warehouse network, involving the addition of new warehouses and removal/consolidation of underutilized ones

04

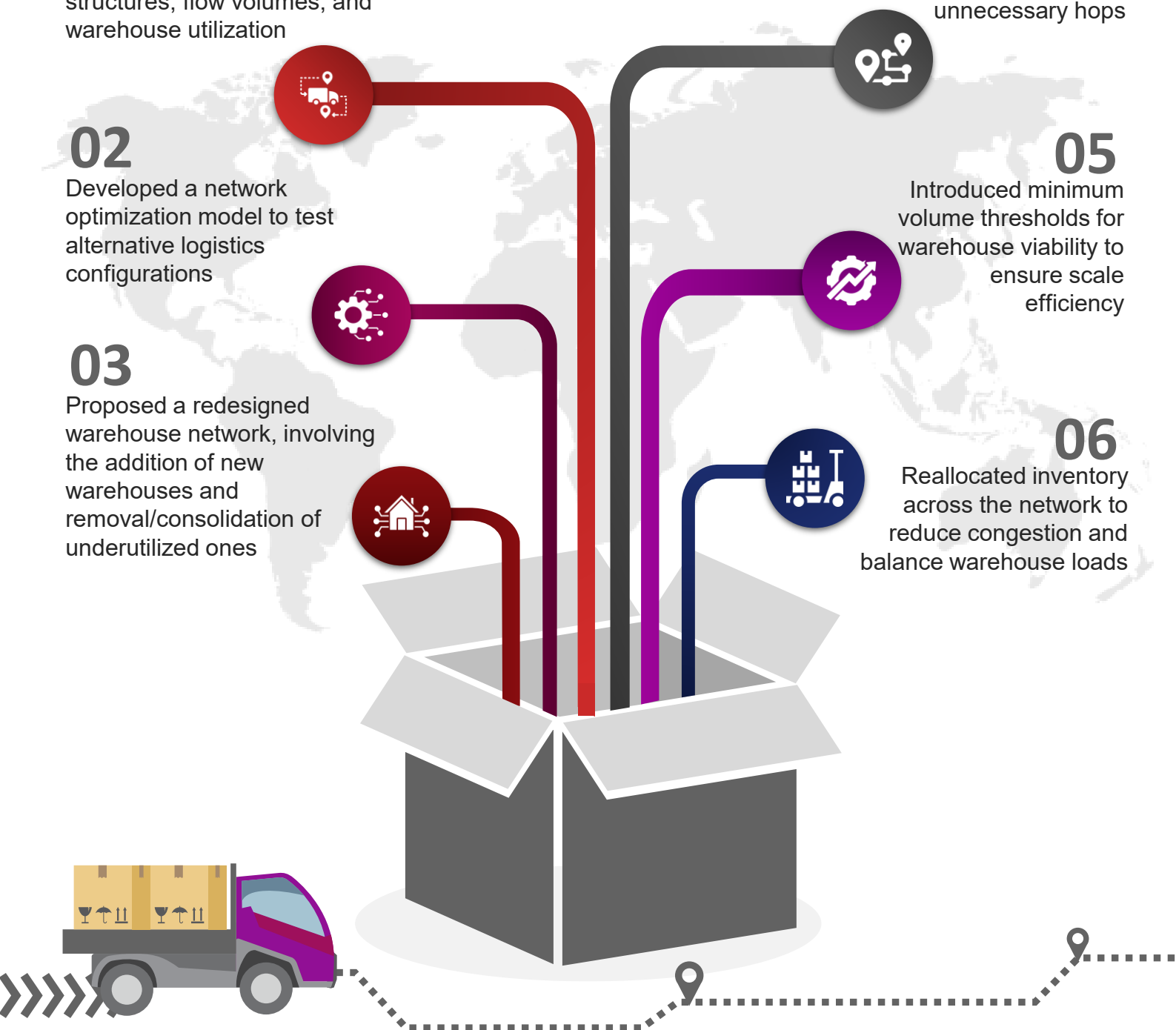
Created a set of new optimized transportation routes from factories and regional warehouses to key demand centers, reducing transit distances and eliminating unnecessary hops

05

Introduced minimum volume thresholds for warehouse viability to ensure scale efficiency

06

Reallocated inventory across the network to reduce congestion and balance warehouse loads





Impact of our Interventions

The client achieved ~16% overall logistics cost savings through optimized routes, better truck utilization, and warehouse efficiency

Storage space requirements were cut by up to 48%, significantly reducing cost per ton across the network

New Route Structures

Designed and implemented optimized transport routes from supply points to demand centers, enabling faster, more direct, and cost-effective deliveries



Reduced Cost per Ton

Improved truck utilization and warehouse efficiency led to lower transportation and handling cost per ton across the network



Reduction in Space Required

Storage requirements were reduced significantly, including a ~48% decrease in space needed at existing warehouses and a ~60% drop at the most heavily loaded facility



Reduction in Cost

Achieved a ~16% reduction in total logistics costs, including ~21% savings in primary transportation and ~10% in storage expenses



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