

Success Story in Vehicle Manufacturing More transparency and lower costs with integrated transportation management at AGCO



Agricultural equipment manufacturer AGCO sets new supply chain standards

With 38 manufacturing facilities and 41 pre-assembly plants on 6 continents, AGCO is one of the world's largest manufacturers and distributors of tractors and agricultural equipment. AGCO's range of products includes well-known brands such as Challenger®, Massey Ferguson® and Fendt®. Since its founding in 1990, the US corporation has enhanced its portfolio through acquisitions, which led to a complex inbound supply chain over time. In order to streamline the existing logistics structure and design it more efficiently for the long term, AGCO worked with 4flow to successfully implement an innovation roadmap. Within 18 months, AGCO aggregated its inbound flows into one integrated network and reduced transportation costs by more than 25% with proactive and dynamic network management.

An innovation roadmap for inbound supply chain

To bring the inbound supply chain up to a sustainable performance level, AGCO developed an innovation roadmap for the future. The roadmap consisted of six phases: cost avoidance, cost reduction, synergy use, network design, process cooperation, and partner collaboration. The initial focus was on quick cost reductions by negotiating with service providers and calling for tenders. In later phases, AGCO consolidated flows and standardized contracts and KPIs. In addition, the agricultural equipment manufacturer introduced an e-tendering platform and optimized containers and packaging. Aside from this, AGCO began to strategically extract large shipment volumes from packages typically awarded to conventional 3PLs, awarding them instead to high-performing local heroes. The company achieved remarkable transportation cost reductions and firmly established many standards already during the first phases.

Process cooperation and 4flow's role as a neutral 4PL partner

AGCO set out to increase transparency, improve supply chain performance, and further reduce costs with an integrated transportation management system (iTMS) and by consolidating shipments into one network. After searching for an appropriate partner, AGCO opted for 4flow. As an independent fourth-party logistics service provider (4PL), 4flow's overall concept for cost reduction and performance improvement without any investment in IT was for AGCO an attractive prospect. 4flow also assured quick iTMS implementation. The rapid implementation initiative included a completely new process, a new organization and an iTMS for all of Europe. After just 6 months, the first transportation orders were run through the new system.

After completing the rollout in just 18 months, the iTMS connects more than 1,500 suppliers, 9 European manufacturing plants and the central spare parts center in one global network. AGCO and 4flow also integrated sea transportation for its manufacturing locations in North and South America. AGCO currently profits from the synergies of the global manufacturing network in road transportation and is prepared for a worldwide rollout.

"Together with 4flow we successfully connected more than 1,500 suppliers in Europe to a standardized transportation management system over a short time and substantially reduced total costs. The entire team can be very proud of the result," said Gregory Toornman, Director of Global Materials, Logistics and Freight Management at AGCO.

Sustainable cost reduction, transparency, and cross-brand cooperation

Implementing the iTMS and optimizing the global network enabled AGCO to reduce transportation costs by more than 25% on a volume-adjusted basis. This was a remarkable achievement, especially considering the sharp decline in market volume for agricultural equipment over this period. Moreover, there was a reduction in inventories, special deliveries and external warehousing costs. Partners also significantly reduced CO₂ emissions through optimized transportation utilization.

"Together with 4flow, we not only reached our targets, we exceeded them greatly. This was largely due to the team oriented cooperation between our central logistics team in Switzerland, the manufacturing facilities, and 4flow."

Buelent Ileri, Director of Transportation & Logistics, EAME, AGCO

Customer

> AGCO Corporation

Agricultural equipment manufacturing

> 19,000+ employees worldwide
> Locations in North America, South America, Europe & Middle East, Africa & Asia-Pacific

Project scope

> AGCO, a globally operating agricultural equipment manufacturer, digitized its inbound supply chain in just 18 months in collaboration with 4flow.

Results

> Integrated 1,500+ suppliers and 70+ logistics service providers
> 28% reduction of costs in entire inbound supply chain
> 10% increase in on-time delivery performance
> 15% increase in process compliance

Meanwhile, inbound traffic transparency improved. It is possible to track each shipment in the system independently, regardless of service provider. Based on integrated key performance indicators, a connected business intelligence solution is also rendered by 4flow vista® analytics. The increased transparency is beneficial to supplier and service provider development as well as standardized calls to tender for the provision of services. "With 4flow as partner and the integrated transportation management system, we could bring our innovation roadmap for our supply chain up to the next level," reported Josip T. Tomasevic, Vice President & CPO, Global Purchasing and Materials Management at AGCO. AGCO and 4flow increased the intensity of this cooperation more and more since the project launch. The impressive result of this was the shorter implementation time of optimization actions, which was halved as a result of 4flow's optimal dovetailing with plants.

Globalization, vertical and horizontal cooperation

Now set for a global rollout of the blueprint drawn up in Europe, AGCO will add a sea and air freight component to fuse regional networks into one global network. AGCO and 4flow are also identifying key suppliers and other potential partners from parallel industries in order to implement cross-company synergies in tendering and the operation of networks. "Together with 4flow, we not only reached our targets, we exceeded them greatly. This was largely due to the team oriented cooperation between our central logistics team in Switzerland, the manufacturing facilities, and 4flow," summed up Buelent Ileri, Director of Transportation & Logistics, EAME, who is chiefly responsible for this initiative at AGCO. Thanks to its overall strategy and cooperation with 4flow, AGCO is positioned to operate complex networks and enable them to perform more efficiently and profit from the benefits of consolidation itself.

About 4flow

4flow is a leading provider of supply chain consulting, software and fourth-party logistics (4PL) services. With more than 1000 team members, 4flow is a global partner for its customers with 20 office locations spread throughout North America, Europe, Asia and South America. 4flow completes more than 300 projects a year in cooperation with customers on 5 continents, in more than 40 different countries. 4flow is headquartered in Berlin, Germany. 4flow and its customer AGCO jointly received the prestigious BVL German Award for Supply Chain Management in 2016, the European Logistics Association (ELA) Project of the Year in 2017, and the CFLP China Automotive Logistics Innovation Award in 2018.

4flow AG, Hallerstraße 1, 10587 Berlin, Germany | www.4flow.com | sales@4flow.com