Castrol

SMARTGAINS™

CASTROL INTERVENTION ALLOWS FOR OVER $120K INCREASED GROWTH POTENTIAL

How SmartGains support from Castrol logistics specialists allowed our Namibian distributor to maximize efficiency and improve performance.

THE PROBLEM: INEFFICIENT HISTORIC SUPPLY METHOD

Castrol's marine distributor in Namibia is served by Castrol South Africa (SA). Historically, containers of stock are shipped from SA to Namibia. However, this process is hindered by frequent delays due to port congestion and changing sailings. This in turn leads to excessive delays in supply of up to 30 days. In addition, because customs documents had to be prepared for the distributor, orders were restricted to an average of 14,000L per container (around two containers). All of these factors increased costs – both to the customer, for the lubricant, and time/costs internally for Castrol.

THE CASTROL SOLUTION: SMARTGAINS LOGISTICS MODEL

Our logistics specialists liaised with the distributor to change the supply model from sea freight to road haulage, with the distributor arranging road transport direct from SA. A compulsory vehicle checklist was obtained to allow vehicles onto Castrol sites in order to pick up the product. This new model also involved the distributor processing their own customs documentation, as they would be taking responsibility for the load once it left our site.

THE RESULTS: $0.024/L REDUCTION IN COSTS AND POTENTIAL FOR MORE DELIVERIES

A trial was instigated to great success. Road haulage reduced transit time from up to 30 days to five days, improving the availability of supply to customers. In addition, an average truckload volume of 35,600L allows for 25% more product to be delivered, thus reducing the $ per litre. Orders can be dispatched as soon as ready, removing the need to stack product until freight space and sailing is available.

Although annual logistics costs are higher with road haulage, the cost per litre is reduced from $0.147 to $0.123 due to the higher volume delivered. More frequent deliveries at a higher volume enhances performance as well as allowing the distributor to grow their capacity.

By removing complexity from processes and documentation preparation, as well as allowing consolidation of multiple orders, we have streamlined and optimized supply in a way that benefits the operations of both the distributor and Castrol.

THE FIGURES: SMARTGAINS ACHIEVED

SMARTGAINS AREA	SAVINGS	COST TO CUSTOMER TO IMPLEMENT CHANGE	CREATED VALUE PER YEAR
••• **Removal of sea freight costs from Castrol invoice**	Sea freight 4 containers every month @ $2061/container (4 x 12 x $2061 = $98,928)		$98,928
••• **Increased direct cost to distributor for arranging own road haulage**	Road haulage 2 x trucks per month @ $4333/truck (2 x 12 x $4333)	$103,992	-$103,992
••• **Increased cost to distributor for arranging customs documentation**	24 trucks per year at $50 per truck = $1200	$1,200	-$1,200
•• **Potential to source more product from same number of Castrol deliveries allows growth as greater capacity to supply their customers**	Potential for 25% more volume if same number of scheduled deliveries 7,600L more per delivery, 24 deliveries per year @ $0.5/L profit for distributor		$91,200
• **Potential to increase number of deliveries per year because of shorter transit times and higher volume per delivery increases potential for growth**	Shorter delivery time allows 2 extra deliveries of 35,600L/year with distributor profit @ $0.50/L		$35,600
SMARTGAINS Total			**$120,536**

••• Estimates verified with the customer •• Credible assumptions based on market knowledge • Estimated mitigated costs, risk, or created value.
Based on a case study from a single customer. SmartGain results can vary depending upon the type of equipment used, its maintenance, operating conditions, and any prior lubricant used.

Discover how Castrol could accelerate your growth with our SmartGains methodology.

LEARN MORE