



“Outsourcing developed our own abilities”

2006 was the year that Anna Elgh took over as Group Logistics manager in Lantmännen. In that role she built up a group-wide logistics function with the goal of making Lantmännen’s total logistics operation more efficient.

At the same time she had operative responsibility for the business area, Lantbruks logistic, with annual sales of SEK 700 M, of which the majority consisted of transports that were procured from external suppliers. One of the first actions to increase the efficiency and degree of service was therefore to centralize and outsource Lantmännen’s transport planning to Sonat.

“Lantmännen is one of Sweden’s largest transport buyers. Therefore, there were major potential coordination gains in centralizing the operation’s daily planning and operation of transports. Having a lot of people sitting out in the organization and booking transports basically however they want is definitely not an efficient working method,” says Anna Elgh.

Together with Sonat, a central transport function was created – Central Transport Division, CTD – in Norrköping. The function was staffed with qualified and committed logisticians who took responsibility for developing, planning, operating and following up on the operation’s extensive seasonal transport flows of grains, etc.

“Our ambition, together with Sonat, was to create a clear structure and simple, effective processes for our transport operation. Once the operation was established and underway we had the possibility to either drive it further under the auspices of Sonat or gradually take over the responsibility ourselves. Through that, centralization and

outsourcing became processes that led to our increasing our own internal abilities. The result of centralization was that delivery quality went from a bottom level to a top level for delivery precision, one of several indications that the actions were successful.”

Build Operate and Transfer – BOT

The model is called Build Operate and Transfer (BOT) and simply means that Sonat offers its collective experience and development abilities in order to build up, start and establish a transport or logistics function that is then transferred to the client.

“The model fit us very well. Sonat’s personnel and the joint transport function became an important competence resource within transport and distribution. During the build-up and establishment of the transport division we got control over our flows and improved both quality and customer services at the same time that costs were reduced,” says Anna Elgh.

In connection with the grain harvest in 2008, a delivery precision of 98.7 percent was achieved, which was the best ever. Other positive results were a better understanding for the entire logistics process and better cooperation with the production units, which noticeably reduced the need for partial deliveries.

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Costs and the environment go hand in hand

A cooperation that has the task of handling the chain “from ground to table” is, by definition, extremely transport intensive. Lantmännen is one of Sweden’s five largest transport buyers and accounts for approximately one percent of all truck transports on Swedish highways. This makes transport and logistics a prioritized area in the group’s environmental and sustainability work. Lantmännen’s work with developing sustainable logistics is collected under the concept, Green Line.

“Sustainability work is fulfilling since costs and the environment mainly go hand in hand. For example, increased use of capacity, and more environmentally-friendly driving provide direct cost savings,” explains Anna Elgh.

A current prioritized goal in Lantmännen – which looks like it may be reached – is to reduce carbon dioxide emis-

sions in 2010 by twenty percent compared with 2006 levels. In an additional three years the emissions shall be reduced by fifteen percent compared with today’s levels and by 2020 by 40 percent. One condition for reaching the goals is increasingly closer cooperation with the group’s transport suppliers in order to jointly increase the use of capacity, take advantage of synergies, and avoid unnecessary transports.

“In view of our high ambition within sustainability work, Sonat and the central transport division also got major responsibility to ensure that better planning contributed to reducing our carbon dioxide emissions,” says Anna Elgh, with a satisfied smile.

ABOUT LANTMÄNNEN

Lantmännen is one of the Nordic region’s largest groups within foods, energy, machines and agriculture and has operations in 18 countries. Lantmännen is active in all areas of the value chain – from the ground to the table.

Sales: SEK 35,101 M
Operating profit/loss: SEK 305 M
Employees: 10,500
Owners: 37,000 Swedish farmers

EFFECTS OF THE CENTRAL TRANSPORT DIVISION

Costs

- SEK 6 M through new working methods for order consolidation and transport coordination in new physical structures with an increased percentage of direct deliveries.
- SEK 1.5 M through new planning procedures, transport solutions and more direct deliveries.

Structural changes

- 30% lowered capital tied-up in inventory, new planning procedures and cooperation with the seed facility in Skara.
- Ensure transport flows and delivery service in connection with the shutdown of one out of three LC; a structural change that means considerable cost efficiency.

Service and delivery quality

- The increased control over the “order to delivery process” increased the possibility to be flexible, for example, to handle emergency needs, order changes with short notice, handling of deficiency situations, the impact of weather on harvests, etc.
- Flexibility in capacity was also strengthened. Resources in the new function can be adapted to needs in an ongoing manner.
- The transport division created better controls and transparency, which provided the sales and marketing functions in Lantmännen increased possibilities to better prioritize and govern their activities.

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