



Logistics Cost and Service 2020

The Establish Davis Database

Published December 2021



Executive Summary

Brief History of the Database

- Since 1974, Establish Davis Database contains logistics costs and service performance levels for a vast range of industries.
- Submissions are annually summarized to track logistics costs and service performance levels and trends.

Parameters Measured

- ✓ Transportation costs.
- ✓ Warehousing costs.
- ✓ Administration costs / supplies costs.
- ✓ Inventory carrying costs.

Why Companies Benchmark?

- To identify opportunities and trends (cost and service performance drivers) in their logistics costs.
- To know where to focus next to improve company's logistics network from the perspective of cost and service.

Participate and Get Your Own Customized and Detailed Report – It's Free

Why Participate?

- Find out how you rank compared to similar companies**

 - ✓ Establish Davis Database provides a great methodology for benchmarking. By participating you get a unique comparison to relevant companies and your ranking among them.
- Compare to companies in your size**

 - ✓ The company size can affect the logistics costs with up to 50%
- Compare to companies with the same type of goods**

 - ✓ Logistics costs for heavy goods differs from light and expensive goods.
- Compare to companies in your industry**

 - ✓ A very valuable information is where your colleagues are with costs and performance.
- Why is it free?**

 - ✓ The more participants the higher value of the database
 - ✓ Establish wants to be associated with valuable insights within Supply Chain Management.


Example of a Customized Report

Establish, Inc.
Davis Logistics Cost and Service Database - Cost Comparison

Company Name: Your Company Date Issued: 3 2013
Company Number: 10619

	Your Company	Industrial Durable			Similar Product Value			Similar Weight Companies			Similar Revenue Companies		
		Lower Quartile	Average	Upper Quartile	Lower Quartile	Average	Upper Quartile	Lower Quartile	Average	Upper Quartile	Lower Quartile	Average	Upper Quartile
Cost as a Percent of Sales													
Transportation	5.52	1.64	3.10	4.10	2.30	3.67	4.85	3.11	4.90	5.48	1.37	3.01	3.99
Warehousing	2.80	0.83	1.99	2.44	1.12	2.12	2.47	1.45	2.52	3.36	0.46	1.51	2.40
Order Processing	0.80	0.25	0.62	0.71	0.24	0.60	0.70	0.11	0.43	0.49	0.08	0.43	0.53
Administration	0.48	0.14	0.34	0.38	0.15	0.36	0.48	0.14	0.37	0.42	0.09	0.27	0.35
Inventory Carrying	2.88	0.95	1.83	2.25	1.11	2.89	3.05	1.08	1.86	2.34	0.80	1.80	2.33
Overall Cost	12.48	4.70	7.70	9.80	5.02	8.64	10.90	7.21	9.54	11.57	3.14	6.18	8.66
Cost per Hundredweight													
Transportation	11.50	7.49	24.25	23.88	8.79	15.68	17.96	3.26	6.40	7.76	7.02	31.12	32.95
Warehousing	5.83	4.22	13.42	13.71	4.31	8.89	10.04	1.80	3.90	5.44	3.62	13.02	11.05
Order Processing	1.67	0.86	6.25	4.79	0.88	2.62	2.78	0.08	0.52	0.64	0.25	5.36	3.88
Administration	1.00	0.60	2.36	2.39	0.65	1.62	2.17	0.12	0.48	0.71	0.35	3.75	2.21
Inventory Carrying	6.00	3.69	24.32	16.99	3.89	12.09	13.26	0.66	3.20	4.17	2.22	52.02	20.34
Overall Cost	26.00	17.51	69.54	56.26	20.17	36.55	43.02	6.14	13.95	17.24	15.75	89.88	60.98
Volumes													
Million Pounds	600	55	559	400	47	262	261	848	2,545	2,566	87	1,119	1,044
Million Sales (U.S.\$)	1,250	400	1,536	1,458	163	963	1,110	1,059	2,794	4,209	1,041	2,647	3,309
Product Value(\$/Lb.)	2.08	2.08	18.61	11.33	2.98	4.42	5.35	0.69	1.95	1.95	1.95	43.25	16.11
Number of Shipping Origins	5	1	7	8	1	6	5	8	26	29	3	13	16
Delivery Paid by Customer (%)	25	2.75	25	34.25	4.25	21	28.75	5.00	19	24.00	2.00	24	37.00
Your Costs													
Transportation	\$69,000,000	Order Processing		\$10,000,000	Inventory Carrying		\$36,000,000						
Warehousing	\$35,000,000	Administration		\$6,000,000	Total		\$156,000,000						

Lower Quartile - 25% of the comparison group is below this value. Costs below the lower quartile are considered to be 'Best in Class'.
Average - Statistical mean of the group.
Upper Quartile - 75% of the comparison group is below this value.



Participating is Easy

Overview of Participant's Input

Nature of Business	Classification	<ul style="list-style-type: none"> • Manufacturer / Wholesaler / Retailer • Durable / Non-durable • Consumer / Industrial
	Industry	<ul style="list-style-type: none"> • Food / Pharma / Auto / Industrial equipment / Consumer goods / Electronics / Apparel / Building material / Medical
Size of Business	Net Sales	<ul style="list-style-type: none"> • Last fiscal year (LFY) revenue (USD)
	Weight Shipped	<ul style="list-style-type: none"> • LFY total weight shipped (LBS)
	# Shipping Points	<ul style="list-style-type: none"> • Total number of shipping points
	# Lines / Orders / SKUs	<ul style="list-style-type: none"> • LFY total number of lines / orders / SKUs
Logistics Costs	Transportation	<ul style="list-style-type: none"> • Inbound and outbound
	Warehousing	<ul style="list-style-type: none"> • Labor and storage
	Inv. Carrying cost	<ul style="list-style-type: none"> • Measured at 18% of average inventory value
	OECS / Admin	<ul style="list-style-type: none"> • Costs for supplies and administration
KPIs	Customer service performance measures	<ul style="list-style-type: none"> • Total order cycle time • Product availability (orders, lines and units)

How to Participate

- Participate on-line
- <http://www.establishinc.com/supply-chain-consulting-services/benchmarking/participate-online>
- Any questions or need help?
 - Call 212-776-9900 and a logistics expert will be happy to help you

Understanding the Data

Terms and calculations used in the presentation

Costs

- Measuring logistics costs and performance is important for determining how to best reduce costs and improve the overall performance.
- For this presentation, the industry standard cost as a percentage of sales and Hundredweight (CWT) are used.

Percentage of Sales

- Cost as a percentage of sales is calculated by dividing your logistics costs by your total revenue from sales.
- For example, if freight cost are \$150,000 and revenues are \$500,000, we would divide $\$150,000 / \$500,000 = 30\%$ freight cost as a percent of sales.

Hundredweight (CWT)

- Hundredweight (CWT) is a unit of measurement used to define quantities and is a standard option for shipping packages that take up less than an entire truckload.
- A Hundredweight is a unit of mass equal to 100 pounds.

Additional Notes

- Data points with revenues greater than 2 Billion were not significant enough to analyze independently.

Average Company 2020 Logistics Costs and Cost per Hundredweight

Average Logistics Costs

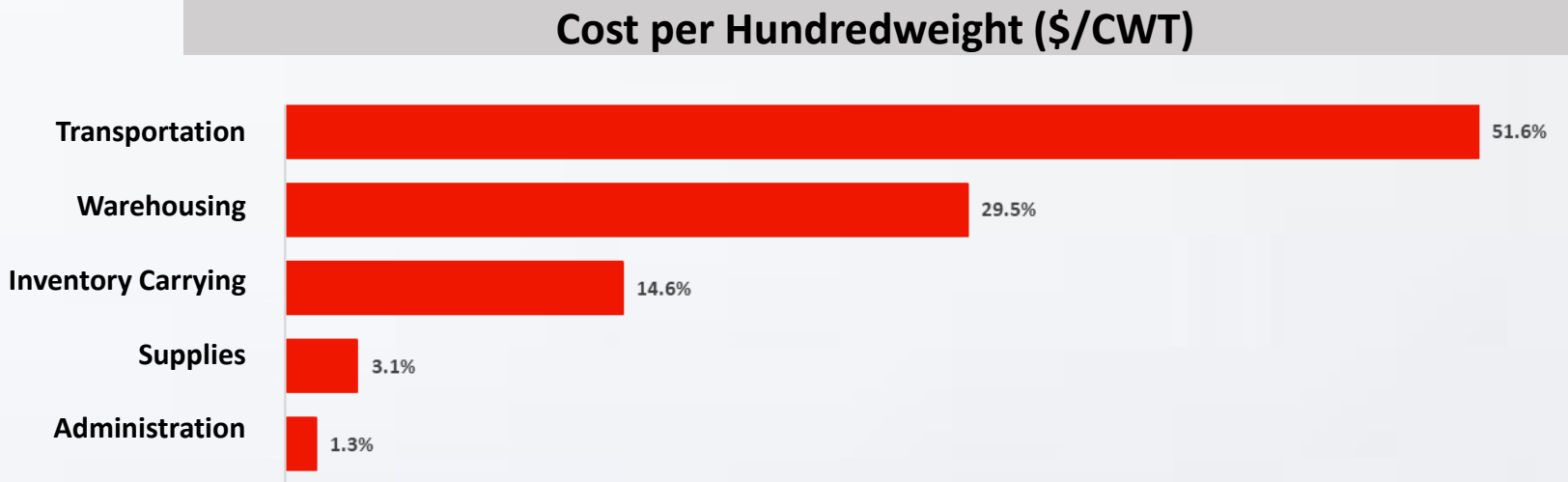
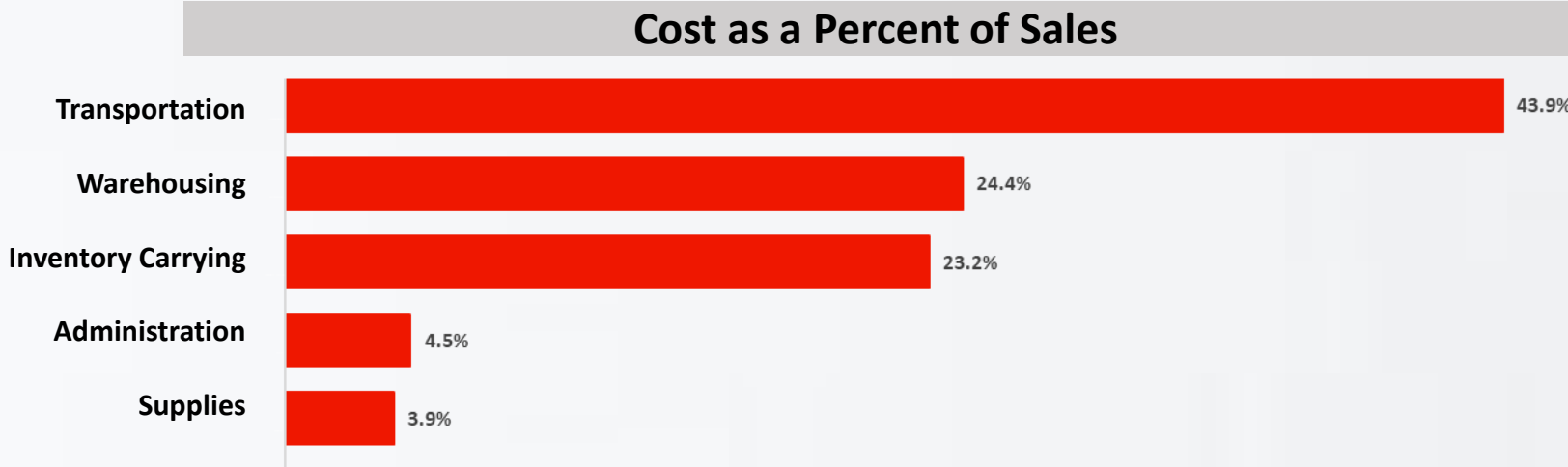
	Cost (Average Company)	
	% of Sales	\$/CWT
Transportation	3.68%	\$35.78
Inventory Carrying	1.94%	\$10.10
Warehousing	2.05%	\$20.44
Supplies	0.33%	\$2.17
Administration	0.38%	\$0.87
Total	8.39%	\$69.36

Comments

- This table can be used for a generic analyses about logistics costs since it is an average cost within the participants.
- Inventory carrying cost is lower for many companies then what is shown here since it is calculated based on a common interest rate for comparability reasons.

Average Company 2020 Logistics Costs and Cost per Hundredweight as % of Total

Breakdown of Logistics Costs and Cost per Hundredweight (\$/CWT)



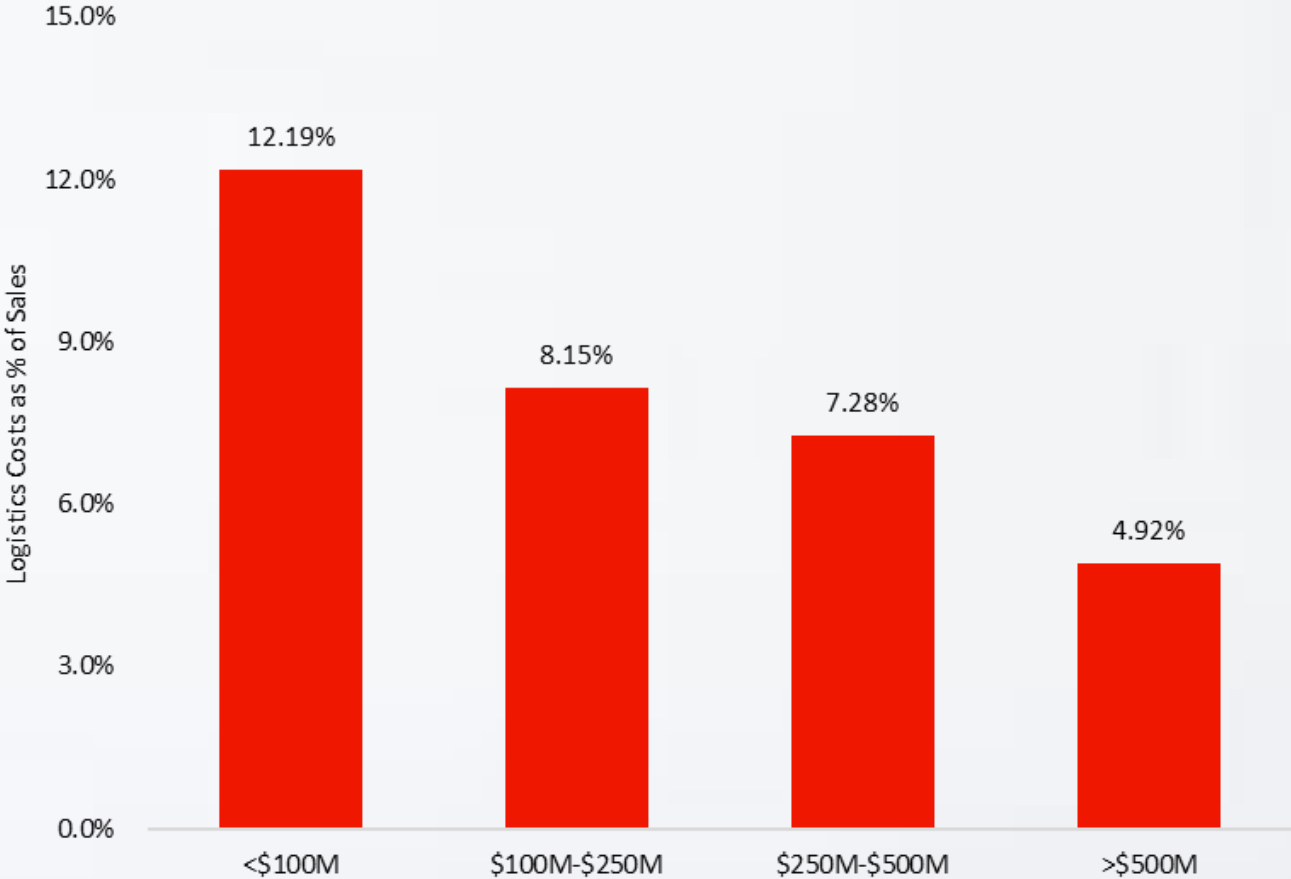
Comments

- Transportation is the greatest cost regardless of the methodology used for calculation.
- Warehousing costs have a higher percentage when calculated based on weight.

The sample consists of company records between 2016-2020

Larger Companies Continue to Experience Lower Logistics Costs

Company Size vs. Logistics Costs as a Percent of Sales



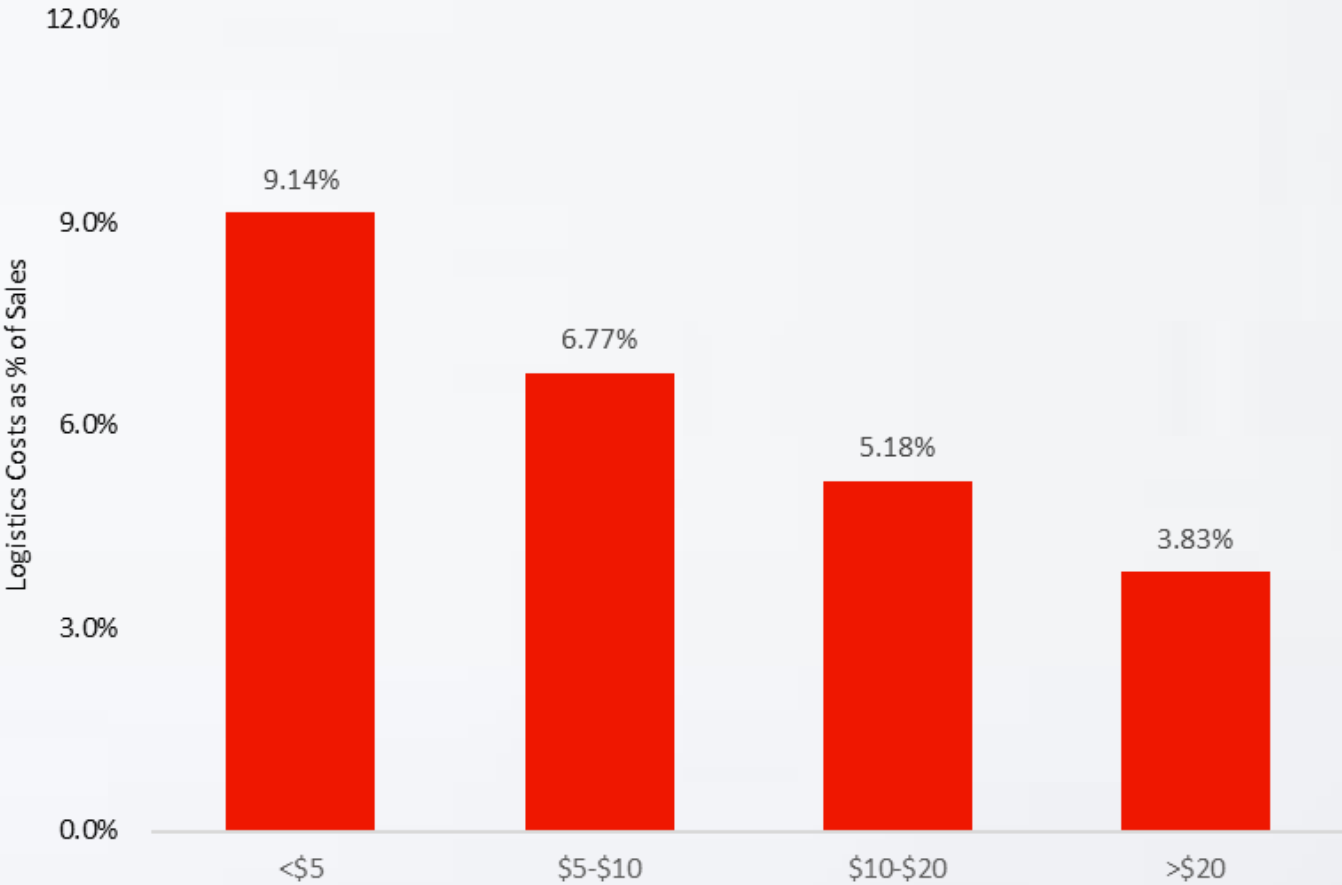
Comments

- As expected, larger companies experience lower logistics costs which can be attributed to economies of scale especially when it comes to freight prices.
- The larger companies can leverage internal and external avenues to reduce logistics costs; internally it may look like buying materials in bulk at discount, externally they may receive preferential treatment from the government in form of tax breaks and better freight discounts.

The sample consists of company records between 2000-2020

Companies with High Product Value Continue to Experience Lower Logistics Costs

Product Value vs. Logistics Costs as a Percent of Sales



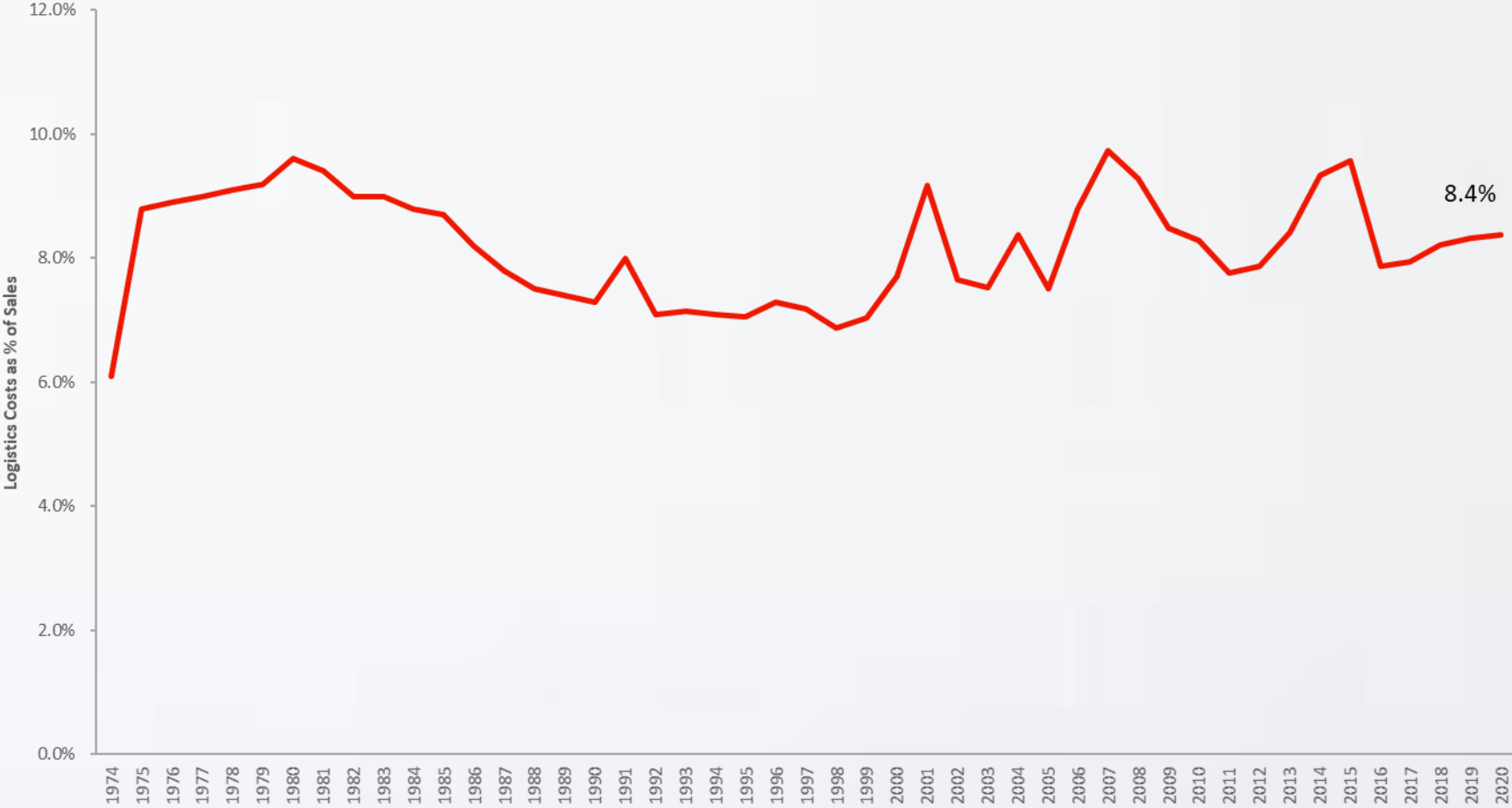
Comments

- Higher product value incurs lower logistics costs due to less product shipped to meet revenues of a low product value company.
- White-glove services are the exception. This can include special delivery and setup, personalized packaging, security/tracking throughout the supply chain. The highest quartile of product value, where white-glove service companies reside, still manages less than half the logistics costs as a percentage of revenue.

The sample consists of company records between 2000-2020

Logistics Costs as a Percent of Sales over Time

Logistics Cost as a Percent of Sales (1974-2020)



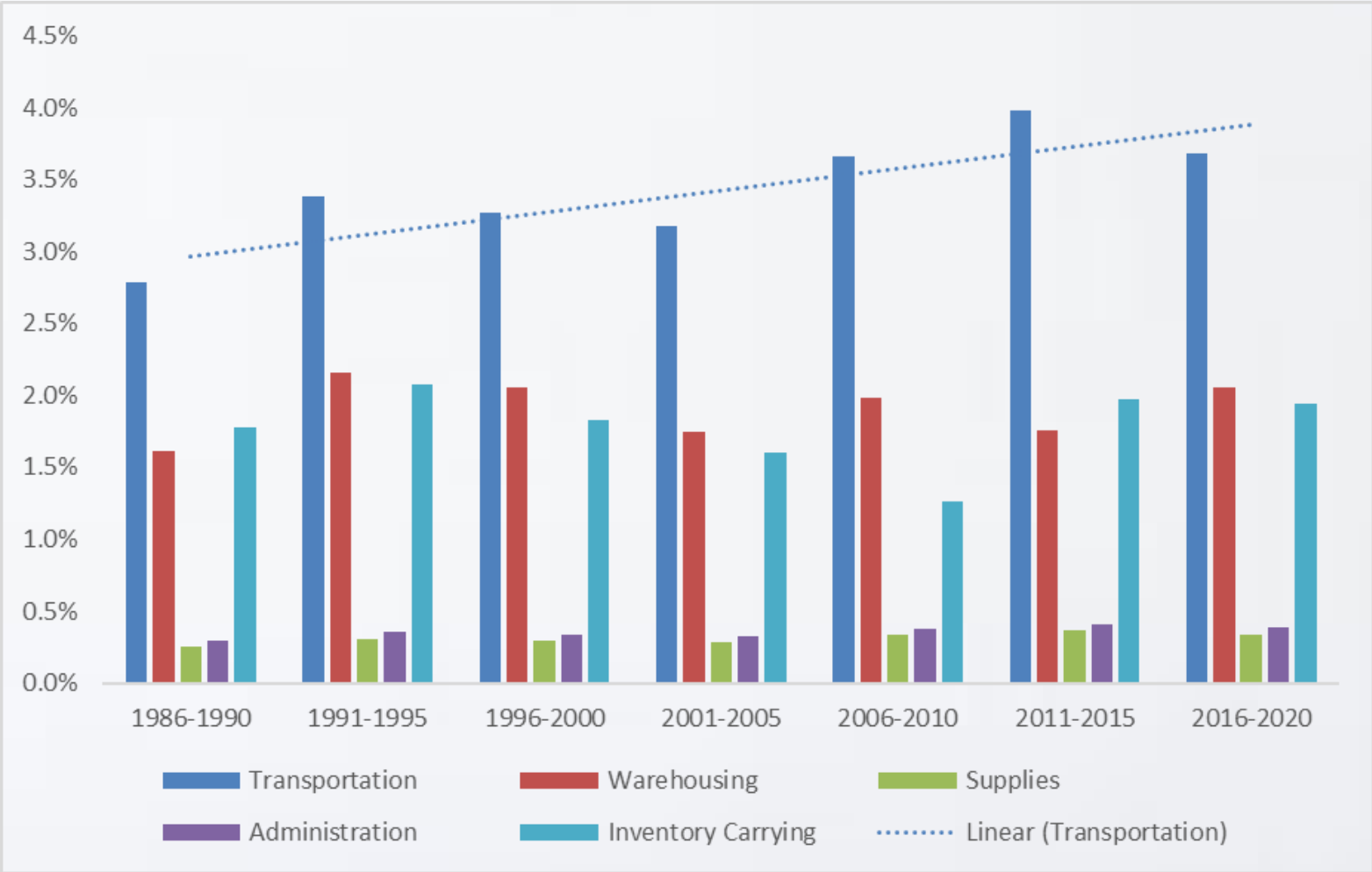
Comments

- The average cost as a percent of sales has leveled off around 8%.
- We expect this to increase in 2021 due to constraints caused by the pandemic.

Logistics Costs as a Percent of Sales over Time

Logistics Cost as a Percent of Sales 5 Year Average (1986-2020)

Comments

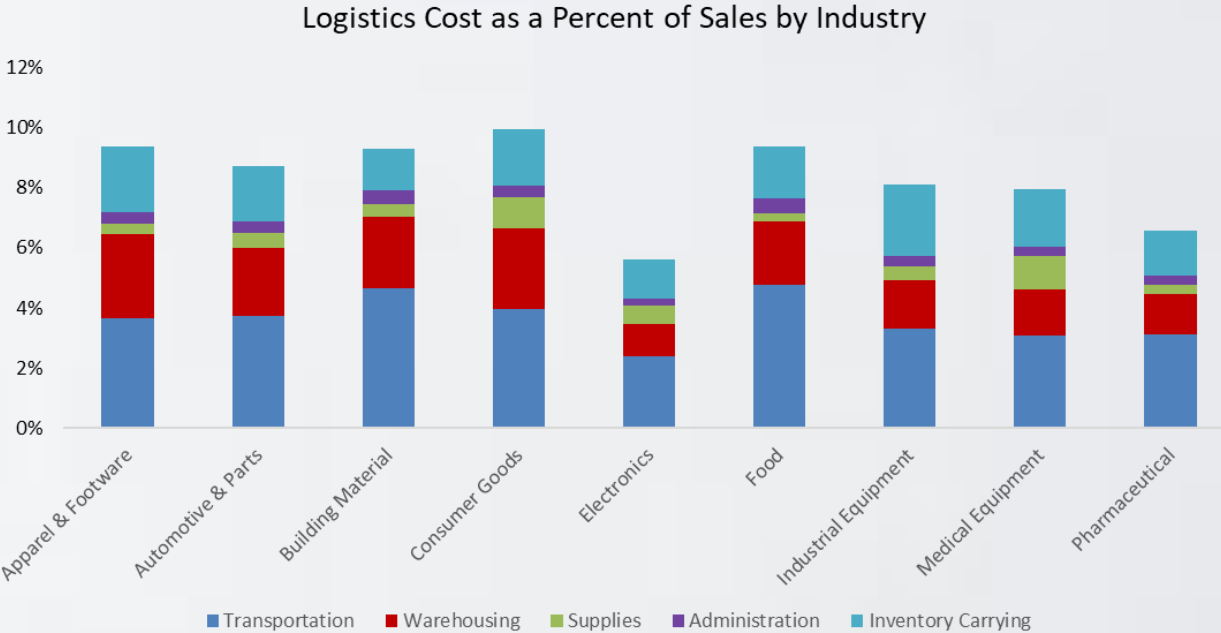


- Transportation costs continue to slowly rise.
- The value of the goods shipped has increased and this makes the shipping costs higher.
- Many companies have agreements with indexed rate increases and don't renegotiate.
- Warehousing costs are slightly higher, which is reasonable in a strengthening economy.

Logistics Cost as a Percent of Sales by Industry

Industry vs. Logistics Costs as a Percent of Sales

Company Industry vs. Logistics Costs as % Sales					
Industry	Transportation	Warehousing	Supplies	Administration	Inventory Carrying
Apparel & Footwear	3.65%	2.81%	0.33%	0.38%	2.22%
Automotive & Parts	3.75%	2.27%	0.49%	0.39%	1.84%
Building Material	4.64%	2.40%	0.42%	0.48%	1.36%
Consumer Goods	3.97%	2.68%	1.02%	0.41%	1.88%
Electronics	2.38%	1.09%	0.61%	0.25%	1.31%
Food	4.76%	2.13%	0.25%	0.49%	1.73%
Industrial Equipment	3.29%	1.63%	0.47%	0.34%	2.38%
Medical Equipment	3.07%	1.53%	1.13%	0.32%	1.89%
Pharmaceutical	3.13%	1.35%	0.28%	0.32%	1.50%



Comments

- Transportation makes up the largest proportion of logistics spend across all industries, followed by warehousing and inventory carrying costs.
- Consumer Goods has the highest logistics cost with 9.96% of sales, followed by Apparel & Footwear and Food.

The sample consists of company records between 2000-2020