

MercuryGate
TMS that delivers.

CytoSport Muscles Up ROI

Rapid Growth Of Demand Requires Efficient Distribution

CytoSport™, the premier manufacturer of sports-oriented nutritional supplements for athletes and active-lifestyle individuals, was founded in 1998 by the father-and-son team of Greg and Mike Pickett. Its most-recognizable brands include Muscle Milk, CytoMax, and Monster Milk.

"CytoSport products provide what you need to successfully complete and recover from the most intense workouts and daily events. These products are scientifically designed to help you recover from life and exercise-induced stress quickly, while maintaining your ideal body weight." (CytoSport Web Page).

All powder and ready-to-drink beverages are manufactured in a 150,000 square foot, state-of-the-art facility in Benicia, CA. They are warehoused in, and distributed from, that same location to co-packers and distribution centers nationwide.

Manual Processes Pump up Inefficiencies and Costs

Historically, CytoSport managed its entire supply chain manually. With manual transportation management, they relied on brokers and third parties as the primary source for obtaining lift capacity and they spot-rated all shipments.

> **CytoSport achieved significant savings in freight costs of well over 20% in the first year alone.**

The overall Logistics and Distribution Network structure was inefficient, as was the warehouse layout and their business processes. Co-packer requirements added further complexity to an already-complex network. Since warehouse management was manual, inventory accuracy and replenishment planning for three DCs was a challenge and caused backorders.

CytoSport's tremendous growth and the identified key issues, prompted management to examine its entire supply chain to rationalize its structure and reduce transportation costs. Their objectives were to implement systems to control costs and to capture historical data for Business Intelligence. (Existing systems did not capture shipment details nor freight spend.)

The Results

CytoSport achieved significant savings in freight costs well over 20% in the first year alone. Due to changes as a result of modeling scenarios, they continue to save year after year!

Background

CytoSport™ is a premier manufacturer of sports-oriented nutritional supplements. Its most-recognizable brands include Muscle Milk, CytoMax, and Monster Milk. Their rapid growth led to a need for an automated logistical operation. The company had been using a manual system that had not only become inefficient but resulted in increased back orders, delayed delivery times and inaccurate inventory counts.

The Solution

CytoSport needed a robust TMS that would help automate their day-to-day operations and decrease freight spend. They preferred a TMS that would match their rapid growth and be scalable, adaptable and reusable.

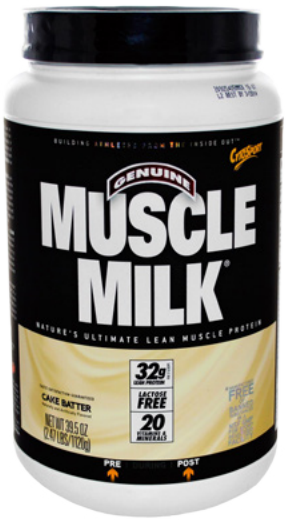
Solution Components

- MercuryGate TMS for Shippers
- Mojo Transportation Optimization

Automation Fuels Efficiencies and Savings

CytoSport modeled its network and speculated they could save 15% of their freight costs by optimizing their network and by implementing a best-in-class SaaS Transportation Management System. The cost of implementation was a key factor in making their decision. Once they adopted MercuryGate TMS, their first priority was to manage all shipments outbound to customers -- from carrier selection through freight payment. Concurrent with their implementation, they designed new business processes to capitalize on the capabilities of the TMS and staffed their organization appropriately.

They compiled an RFQ package and contracted with four carriers for each major lane, then used the TMS for rate shopping and carrier selection, then tendered to carriers. CytoSport integrated the TMS with two existing ERP applications to facilitate more efficient communications. This integration provided a clear view of the status of all shipments from a single screen.



Automated invoice matching and payment with complete financial reporting took over manual processes. Now, detailed freight costs by customer and by channel are captured and employed in strategic network planning. Additionally, the rate shop ability to compare carrier costs, combined with the cost-by-lane data, is currently used in carrier rate negotiations. The control of operations and improved performance was achieved by implementing Management Reporting. CytoSport now uses carrier report cards to manage carriers' allocations and ensure on-time delivery. Providing carriers with predictable freight volumes has had an additional benefit of reducing the amount of missed pickups.

MercuryGate TMS Burns off Excess Expenses, Year after Year

The savings were greater than expected! CytoSport saved $2.1 million in the first year — over 20% of their annual freight bill. Transitioning from brokers to asset carriers provided a huge cost reduction. Their new bid process secured the best available rates. The day-to-day management through the MercuryGate TMS ensured those rates were used appropriately and that all transportation processes remained consistent. Financial data from transportation was made available for planning and analysis through easy-to-understand management reports.

More significant savings were realized through LTL consolidation by using MercuryGate's Mojo Transportation Optimizer to consolidate outbound LTL shipments into Truckloads.

> "We're already in the seven figures as far as savings goes… and from a reporting standpoint, we now really understand what our freight spend is, and we can share that reporting with our executive team."
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> *Director of Logistics and Warehousing, CytoSport, Inc.*

MercuryGate TMS provided the platform for CytoSport's logistics team to apply Six Sigma DMAIC methodology to their transportation program. In year one, they defined the transportation issues that needed to be resolved and used the system to measure and analyze the data. As they discovered new solutions, they began to make improvements at both a tactical and strategic level. Additionally, they used the TMS to model changes in their distribution operation. The results of the study showed a transportation savings by moving west coast distribution less than 80 miles east, from Benicia, CA to Stockton, CA. In addition to realizing a net $300K annual savings, the move of the shipping function to Stockton freed up valuable warehouse space and allowed CytoSport to expand its manufacturing operation in Benicia.

With the help and support of Supply Chain Coach, a long-time MercuryGate Consulting Partner, CytoSport has been able to train suppliers, vendors, and 3PL's to tender and manage freight using the TMS. This type of third party collaboration has reduced the number of transactions and mitigated the need for additional staffing. The backend integration for invoice approval and payment has streamlined the AP process and ensured an accurate freight accrual. MercuryGate TMS reporting and modeling has assisted the Finance team in understanding freight allowances extended to customers, margin analysis, and COGS strategy and fluctuations.

The savings realized by CytoSport are significant, but not unusual. With enforcement of a standard way-of-working, business process control, spend management, trading partner integration, and the information about costs and performance that MercuryGate's TMS provides, many small and medium-sized businesses could save 15-20% of their annual freight bill!

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