International Newsroom

Navistar Accelerates Transformation of Global Supply Chain, Expands Role of Menlo Logistics as Strategic Collaboration Partner

Initial Efforts Generate 5 Percent Reduction in Annual Logistics Costs, Establish Foundation to Accelerate Supply Chain Performance Improvement

WARRENVILLE, Ill. (March 25, 2010) — Navistar, Inc. (NYSE: NAV) today announced it has extended the role of Menlo Worldwide Logistics, LLC (NYSE: CNW), contracting with the company to provide an expanded range of 4PL analysis, design and management services in support of Navistar's 5-year plan to re-engineer and improve performance in its supply chain.

In this larger "network manager" role, Menlo is working with Navistar to deploy an advanced "strategic collaboration model" for continuous supply chain improvement globally. Utilizing this model, the companies are redesigning Navistar's structure, processes and practices for global logistics, transportation and supply chain management. Navistar's objective is to achieve a 25 percent reduction in supply chain spend by 2013, while establishing the team and advanced management skills to drive continuous improvement into Navistar's operations going forward.

Navistar originally selected Menlo in 2008 as its non-North America lead logistics provider. That award marked the launch of a major effort to identify cost reductions throughout Navistar's global supply chain while improving lead time planning and net landed cost modeling.

With its expanded role Menlo thus becomes Navistar's partner – and the catalyst for transformation -- in a long-term mission to convert the company's U.S. and global supply chain into not just a cost-efficient, high-performing operation, but a competitive asset that accelerates Navistar's growth strategies and plans for global market expansion.

For Navistar, the move represents a remarkable decision to forego old ways and adopt a new model that embraces uncommon levels of collaboration with an outside resource, rethinking traditional supply chain assumptions, instilling Lean methodologies and processes for removing waste and inefficiency, and creating a platform for change based on clear, validated key performance metrics.

“Our goal is to build a world-class logistics capability that drives value and helps us better serve our customers on a continuous basis,” noted Ed Melching, Navistar director of global logistics. “We made great strides in the past 18 months. Probably the biggest is we proved to ourselves, Navistar and Menlo, that the concept of strategic collaboration really works. Vision, strategy and process all came together. We’ve formalized the approach and restructured our team into a blend of Menlo expert resources and Navistar experience. The opportunities to build on these initial successes are exciting.”

Foundation for change in place

Navistar already is realizing benefits from its strategic partnership with Menlo – in real dollars, a cohesive strategy and game plan built on Lean principles, and markedly improved performance across several areas of its global supply chain. Following an 18-month process during which Navistar and Menlo performed a thorough examination of every functional and operational aspect of Navistar’s global supply chain, four key milestones were completed:

1) Established a joint Navistar/Menlo transformation team, then created a cohesive vision, mission and strategy which is providing the road map for change to the new model.

2) Collected and analyzed volumes of operational and cost data to understand current performance and create a baseline, then established a set of tools, as well as clear and unambiguous key performance indicators through which every initiative, project and activity would be measured and graded.

3) Researched, identified and prioritized a list of transformation projects to capture cost savings and/or drive service improvement in specific logistics and supply chain functions, and then began implementing priority initiatives.
4) Introduced into Navistar's supply chain planning and operational execution a program of Lean methodologies, processes and work flows for continuous improvement and removal of inefficiencies.

Concrete results delivered

Navistar has made substantial progress toward its overall goal of reducing global logistics spend 25 percent by 2013, noted Melching. Milestones of the past 18 months included:

• Evaluation of Navistar's domestic purchased transportation and the implementation of a core carrier program. The new program will reduce domestic freight transportation costs by nearly 20 percent annually while improving on-time delivery and transit time reliability.
• Analysis and redesign of its transportation network to reduce costs and increase speed of material flow. Under this plan, Navistar also selected Menlo for a traditional third party logistics assignment responsible for global transportation network design and carrier management. Navistar's full transportation management strategy will be in place by the end of 2010.
• Launch of five key transformation platforms (Logistics IT Strategy, Sourcing Strategy, Global Network Strategy, Finished Vehicle Distribution Strategy, and Lean Material Flow Strategy)
• Launch of 19 projects that have or will yield validated, annual cost savings in the millions of dollars.

Going forward, the Navistar/Menlo team will be implementing additional transformation projects based on its five-year vision and strategic plan. Specific focus areas will include distribution network analysis and planning, sourcing and contract management, network execution, invoicing and payment of freight charges, and performance and compliance monitoring. Goals are

based on SMART (Specific, Measurable, Achievable, Relevant, Time-related) targets and measurement against validated key performance indicators.

By embracing its “strategic collaboration model,” the Navistar/Menlo team fully anticipates it will continue to drive results and maintain its momentum toward achieving their five-year vision in 2013.

About Menlo Worldwide Logistics, LLC
Menlo Worldwide Logistics, LLC, is a US$1.4 billion global provider of logistics, transportation management and supply chain services with operations in five continents, including North America. As a third-party logistics provider, San Mateo, Calif.-based Menlo Worldwide Logistics’ services range from dedicated contract logistics to warehouse and distribution management, transportation management, supply chain reengineering and other value-added services including packaging, kitting, order fulfillment and light assembly through a strategic network of multi-client and dedicated facilities. With more than 16 million square feet of dedicated warehouse space in North America, the Asia Pacific, Europe and Latin America, and industry-leading technologies, Menlo Worldwide Logistics creates effective, integrated solutions for the transportation and distribution needs of leading businesses around the world.

Menlo Worldwide Logistics, LLC, is a subsidiary of Con-way Inc. (NYSE: CNW), a $5 billion freight transportation and logistics company. For more information, please visit us on the Web at www.con-way.com/.

---

https://news.international.com/news?item=378