GEP CASE STUDY

Mexican Pharma Company Saves up to 20% on Transportation Costs by Partnering With GEP



Mexico's fragmented road freight network made logistics a constant challenge for a leading pharmaceutical manufacturer. Rising costs, missed deliveries, and fragmented carrier management were hurting performance across both its pharma and consumer divisions. GEP helped build a scalable, data-driven transport operating model that cut logistics costs by up to 20%, improved on-time deliveries by 8%, and transformed transportation into a high-performance function.

OBJECTIVES

- Develop a unified transportation operating strategy to serve both pharmaceutical and consumer product divisions
- Reduce excess costs from spot contracting, poor fleet utilization and operational extras
- Improve service levels, fulfillment rates and reliability to meet compliance requirements and customer expectations
- Create a scalable framework aligned with long-term operational excellence and business growth

APPROACH

- Built a modular, governance-enabled and data-driven transport operating model tailored to Mexico's logistics landscape
- Implemented transparent governance, role specialization and standardized procedures
- Integrated data from multiple functions for forecasting and execution monitoring, while introducing KPI and SLA frameworks to drive accountability
- Transitioned from reactive spot contracting to segmented supplier strategies and long-term capacity partnerships, reducing dependence on micro-carriers and ensuring cost competitiveness

RESULTS

- 10% to 20% reduction in transportation cost, with business units realizing full ROI in under 12 months
- 3% to 8% increase in on-time deliveries, directly improving fill rates and strengthening customer trust
- 4% to 8% reduction in operational extras, including failed deliveries, delays and maneuver fees
- Significant gains in agility, resilience and strategic alignment between logistics operations and business goals

The Challenge: Navigating Mexico's Fragmented Logistics Landscape

Mexico's road freight sector is as vast as it is fractured. Outdated fleets, scarce capacity and inconsistent carriers drive up costs and leave businesses exposed to risk.

Our client, a leading Mexican pharmaceutical manufacturer and distributor, operates in a high-stakes environment where smooth logistics operations are vital.

With two different businesses to serve, the challenge was magnified. One division delivers life-saving medicines to hospitals, pharmacies and patients, demanding strict compliance and reliability.

The second unit manages a fast-moving consumer line of oral rehydration and isotonic beverages, where speed, volume and maintaining market share are critical.

Together, these operations relied on a sprawling logistics network of more than 20 national and regional distribution centers and 500+ distribution routes, moving 2.8 million pallets a year. It was a system under strain, where every delay, missed delivery or rising cost rippled across the business.

This dual-channel environment required transportation management that was not only cost-effective and reliable but also scalable and strategically aligned.

Pain Points: External Limitations and Internal Complexities

Within Mexico's fragmented road freight landscape, the pharma company faced numerous structural and operational hurdles:

- **Service inconsistency** due to micro-sized carriers and lack of operational standardization.
- **Poor shipment visibility** and absence of performance accountability.
- **Reactive procurement** processes with no strategic sourcing plan or defined cost/service targets.
- **Manual invoice audits** and significant administrative burdens from managing hundreds of providers.
- **Fragmented data** and lack of financial transparency.
- **No KPIs or SLAs**, affecting continuous improvement.
- **Mounting difficulty maintaining fulfillment rates** during peak seasons due to limited capacity, inefficient carrier assignment (e.g., overreliance on spot vs. semi-dedicated models), and weak governance practices.
- **Rising logistics costs** and frequent operational disruptions.

Critically, the company operated without a unified transport strategy. It lacked capacity planning mechanisms, data integration and structured relationship management. This resulted in:

- A logistics function that ranked as the **third-highest contributor to unfulfilled sales**, with transportation-related issues accounting for **over 50% of the root causes** — a critical issue for a pharmaceutical company where service continuity is vital.
- **Over US$40 million in transportation cost overruns** in 2024, driven by spot contracting, poor rate adherence, underutilized dedicated fleets and extra last-mile expenses (e.g., failed deliveries, delays, maneuver fees and parking charges).
- **A fill rate below 80%**, risking contractual obligations and customer trust.

Collectively, these internal and external roadblocks revealed the urgent need for transformation. The company needed not only to control costs but ensure business growth, compliance and customer satisfaction.

Solution: A Strategic, Modular Transport Operating Model

GEP partnered with the client to develop a transportation operating model tailored to Mexico's complex logistics landscape. The model was modular, governance-enabled and data-driven.

The goal: Shift transportation from a reactive cost center to a performance-oriented, value-generating function.

This model supports both strategic-level transformation and tactical execution enhancements:

Enabled a Sustainable and Scalable Transportation Operating Design

- Implemented **transparent governance**, role specialization and standardized procedures.
- Ensured day-to-day execution aligned with long-term strategic goals.
- Structured the transport function as a **value-generating capability**, not just a transactional role.

Strengthened Planning, Visibility and Control Capabilities

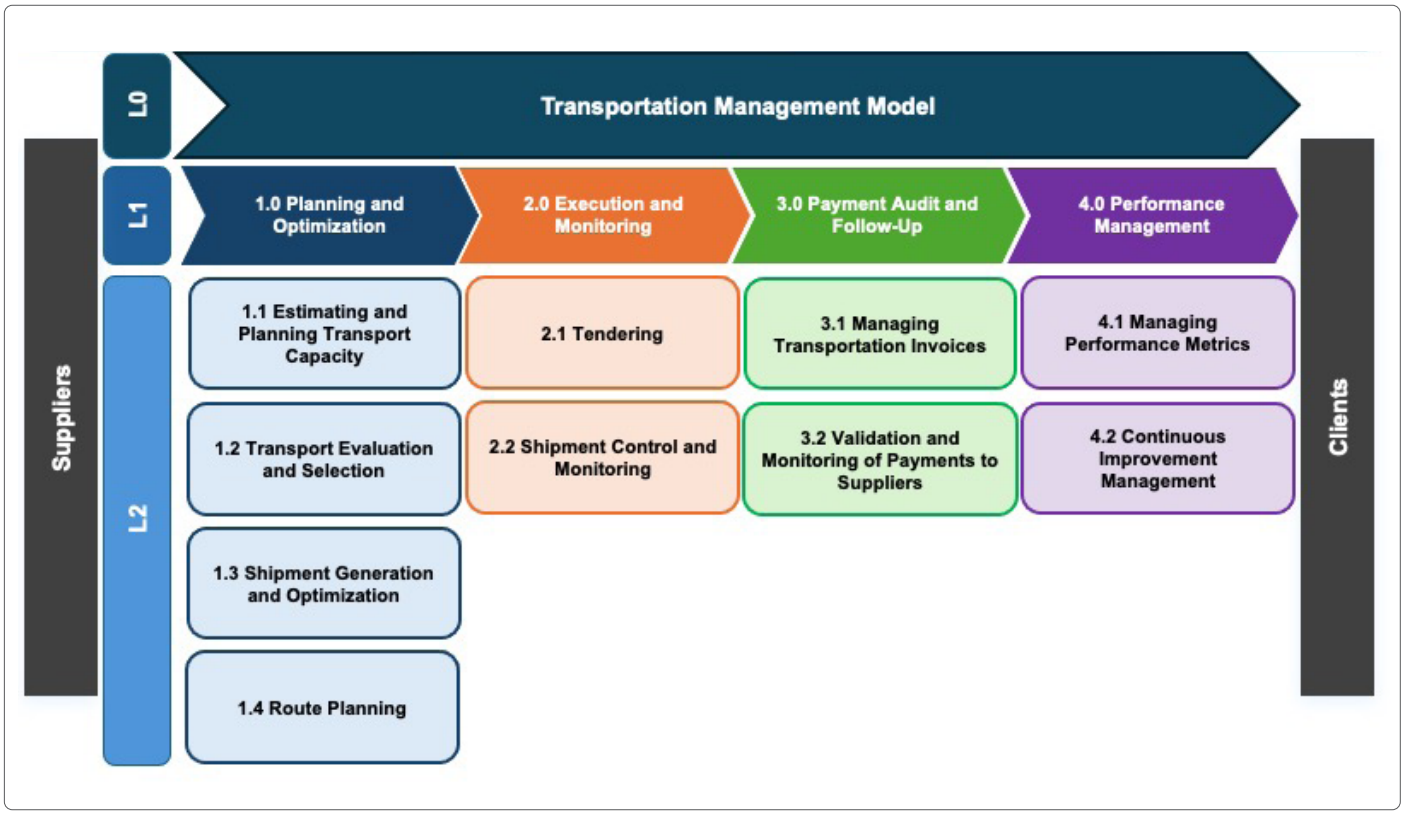
- **Integrated data** from multiple functions to forecast demand and monitor execution.
- Introduced **KPI/SLA frameworks** for supplier accountability.
- Established **governance routines** to drive continuous improvement.



Developed a High-Performance Strategic Sourcing and Contracting Model

- Shifted from tactical to **strategic sourcing**.
- Conducted one major sourcing event for all their transportation requirements and went from 300 suppliers with no formal contracts to 11 contracts with the top transportation suppliers in the country.
- Created **segmented supplier strategies** and long-term capacity partnerships.
- Reduced reliance on spot contracting and enhanced **cost competitiveness and service reliability**.

This approach addressed the pain points identified in the diagnostic process. The plan was to build a future-state operating model aligned with the client's priorities of operational excellence, commercial growth, customer satisfaction and financial discipline.



The transportation model designed for the client's specific needs to transform operations from reactive to strategically aligned



Measurable Impact and Long-Term Value

Implementing the new transport operating model enabled the client to capture quantifiable improvements across three key cost dimensions:

Cost Dimension	Impact
Lost Sales	Improved on-time delivery performance by **3% to 8%**
Over Costs	Reduced by **6% to 12%** via better route planning and optimized fleet use
Operational Extras	Lowered **4% to 8%** through proactive tracking and incident mitigation

These savings combined to unlock overall transportation cost reductions of 10% to 20%, with several business units achieving full return on investment in under 12 months.

Moreover, the model enhanced:

- **Operational resilience and agility**.
- **Service level reliability,** which is critical for pharma distribution and has a direct impact on the fill rate.
- **Strategic alignment** between logistics and broader business objectives.

By embedding governance, standardization and advanced digital capabilities, this model transformed the company's logistics from a reactive, fragmented operation into a performance-oriented, strategic asset.

The solution positioned the enterprise to thrive in Mexico's evolving supply chain ecosystem.

GEP's Solution: Optimizing Transportation for Impact

This case study highlights a tailor-made data-driven transport operating model that addresses structural inefficiencies by integrating governance, standardization and advanced digital capabilities into a unified logistics framework.

Transportation must evolve from a fragmented, reactive function into an integrated end-to-end operation that covers planning, execution and supplier management. The goal is to drive cost control, service excellence and scalable execution.

While this transformation is focused on a pharmaceutical client, it is one of the many solutions GEP offers as part of a broader supply chain framework that's tailored to company maturity.

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