



## PRESS RELEASE

*LogiMAT 2015: Fast, practical and precise calculation of logistics services*

### **Enhanced Activity-Based Costing considers exact paths**

**Munich, November 19, 2014** – Germany is the world leader in logistics! According to its recent Logistics Performance Index, the World Bank gave our country first place. Recent growth is remarkable and the logistics sector has become the third largest industry in Germany. Thus, the demand for logistic service providers is developing rapidly. The greatest day-to-day challenge for these providers is to calculate offers realistically. A single fixed price per item or package is usually insufficient, as the number of variables is too great to be considered fully. Before deciding whether and to what extent the logistics services have to be outsourced, various scenarios should be calculated.

With this in mind, the topic of ABC is getting increasingly important. Dr. Christoph Plapp, managing partner and co-founder of Logivations, recommends thoroughly verifying all costs in the supply chain, since new calculation approaches often reveal unrecognized saving potential within logistics. He would like to present these methods at this year's LogiMAT (10 – 12 February, Stuttgart, hall 7, booth 7F03).

**Dr. Plapp, you have re-opened the topic “Activity-Based Costing” for LogiMAT.**

**What is innovative about your approach?**

Activity-Based Costing for calculating logistics services has nowadays become a common standard. However, this approach is constantly stretched to its limits, when the complex dependencies, which are typical for intralogistics processes, must be taken into consideration. For instance, the walking efforts cannot be calculated by simple multiplication. However, its share in total logistics costs is usually over 50%, which is obviously a figure, that has to be taken into account carefully.

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Tricky for a logistics expert is that there are also a range of other dependencies that must be included into the calculation as well such as e. g. fast-movers or easy to pick items. With our new approach of a layout-related consideration, one can calculate such efforts within the enhanced ABC quite precisely.

### **How exactly does a layout-related calculation work?**

Unlike conventional approaches, a layout-related calculation takes non-linear dependencies into account. The type of a warehouse is therefore a basis, since it influences the processing time that appears when picking an item. If an item is ordered, for example as a part of homogeneous order, a hundred times, the route to rack occurs just once. Thus, the order is completed quickly.

However, if the item is part of a heterogeneous order that consists of many different items, the processing time can be significantly greater. Under these circumstances the picker moves across the entire warehouse to gather everything, and, as a result, processing time changes. That is why one cannot say for sure that the time to pick article A will require 2 minutes. One would risk miscalculations and corresponding monetary losses – either because one as logistic provider has made an offer which is too cheap, or because one suddenly needs more staff in one's own warehouse than expected. Therefore, all processes within a layout-related ABC are modeled considering the area or warehouse strategy.

### **For which companies and industries is this new approach of ABC particularly relevant and why?**

A new approach plays a significant role, especially for internal and external logistics service providers and companies which provide logistic services as well as those who remain under high cost pressure and thus require precise calculations. For instance, the operator of a retail chain wants to open 50 more stores. In order to know the profitability, he has to calculate the related logistics costs. The question is also what pays off more for supplying new stores – using his own warehouse or utilizing a logistics service provider, and whether some manufacturers are willing to supply the stores directly. Very often it's about mixed calculations, which are implemented as respective mixed models later on. It is a complex task to play through such scenarios, because a large amount of data, such as item size and weight, locations and delivery terms must be included. However, it's crucial in terms of profitability.



### **Where can you learn more about enhanced Activity-Based Costing?**

Right at our Logivations booth at LogiMAT or within an individual workshop, where the participants receive targeted valuable knowledge which they can directly apply to their current projects. They will learn precisely, how to manage the calculations by themselves, what data will be needed and how the templates for recurrent calculation tasks can be created on their own.

This approach doesn't depend on software, but for this it's naturally better to use software such as our W2MO. It's much faster, more reliable and more convenient.

**(Copy or link requested if published)**

### **About Logivations**

Logivations is an international consulting and software solutions provider, based in Munich and is focused on any kind of logistics. The company develops innovative solutions based on advanced web technologies. The software solution W2MO is the leading Internet platform for logistics design, 3D-simulation, optimization and performance evaluation. W2MO has a user-friendly interface and can be easily integrated. More than 35.000 professional users worldwide already enjoy W2MO directly from the cloud. W2MO has been nominated several times, including for the "Best Product" at LogiMAT 2011. Gartner Inc., a US research and advisory corporation, highlighted Logivations in their 2013 report on "Cool Vendors in Supply Chain Management Applications".  
[www.logivations.com](http://www.logivations.com)

### **Additional information + pictures:**

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**Graphical material:**



Picture 1: Dr. Christoph Plapp, Managing Partner, Logivations GmbH

The screenshot displays a software interface for 'Virtual Products' for layout 'ABC Base Template'. It features a main table of actions and two pop-up windows showing detailed data for selected items.

Action	ID	Name	Description	Tenant	Work Process	Changed On	By
<input type="checkbox"/>	42914	W2MO Palletizing		---	Build Pallet	2014-05-14 08:44:45	CP
<input type="checkbox"/>	42915	W2MO Picking		---		2014-05-14 08:44:45	CP
<input type="checkbox"/>	42916	Receiv pallet deliv	Receive palletized deliveries	---		2014-05-14 08:44:45	CP
<input type="checkbox"/>	42917	Receiv unpalette deliv	Receive unpalettezed deliveries	---		2014-05-14 08:44:45	CP
<input type="checkbox"/>	42918	Unload Pallets	Unload Pallets	---		2014-05-14 08:44:45	CP

  

ID	Name	Description	Apply Order	Time per Orderline[s]	Time per Piece[s]	Time per Full Cases	Time per Pallet[s]	Time per Weight Units[s]	Feedback	Tool	Changed On
2038	Build Pallet	Efforts to build a pallet	<input type="checkbox"/>			6.0000		4.0000	<input type="checkbox"/>	Anti-lifting devices1	2014-05-14 08:34:12

  

ID	Level	Item Type	Name	Description	Picks/m	Flow per Year[m]	Size X[m]	Size Y[m]	Size Z[m]	Weight[kg]	Unit	Min. Columns / Unit	Min. Rows / Unit	Suppl
7867	6	Component	Anti-lifting devices-1 AS 7000		0.090		0.0100	0.0100	0.0300	0.0046	1			Suppl

Picture 2: Activity-Based Costing based on a layout-related calculation of logistic services with W2MO

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