

BRAZILIAN POST OFFICE TRANSFORMS LOGISTICS AND GAINS A COMPETITIVE EDGE WITH SCOR

The SCOR framework provides a model of process excellence that allows the Brazilian Post Office to optimize its logistics operations, positioning it to successfully compete with smaller, more agile private logistics firms.

GOALS

- Modernize logistics services while reducing costs
- Adopt an international common process language for logistics across the organization
- Reduce the number of warehouses used by internal logistics operations

APPROACH

- Enact process improvements, modernize technologies and provide training for the labor force
- Apply the Supply Chain Operations Reference (SCOR) model to optimize logistics operations
- Use SCOR supply chain modeling software to improve performance and process quality

RESULTS

- Cost savings of approximately \$60 million annually in internal logistics services
- Order fulfillment cycle time reduced by 25 percent; cost of goods sold reduced by 12 percent
- Delivery accuracy increased 25 percent
- Direct labor costs decreased 79 percent over 12 months
- Return on supply chain fixed assets increased 62 percent over one year

Correios, the Brazilian Post Office (BPO), found itself facing mounting competition as it vied for business with private-sector logistics firms. Many of the smaller firms it was bidding against had more flexibility to allocate and de-allocate assets, greater agility when responding to customer demands, and lower costs. BPO was now constrained by some of the same policies and processes that had made it a trusted brand and an important public institution—yet it consistently provided exceptional service and kept pace with technological, economic and social changes.

BPO had the opportunity to showcase its capabilities to the world when it was named the official logistics operator of the Rio 2016 Olympic and Paralympic Games. During the summer of 2016, BPO deftly managed supply chain solutions for the Games, providing on-site logistics services at sporting venues, the Olympic Village, the broadcasting center, hotels and the Olympic Park. Correios warehousing facilities and delivery networks routed shipments into and out of the Games to destinations around the world.

But in the decades leading up to this triumph, BPO leadership recognized the increasing capabilities of its competitors and knew the hurdles would only get tougher. With an eye to the future, in 2008 the post office conceptualized and launched an organization-wide strategic plan for modernization called “Correios 2020.” The team realized the organization wouldn’t always be able to compete with private-sector firms on the basis of cost or agility, so it analyzed its strengths and those of its opponents to identify the ideal route to achieving a competitive advantage in a challenging market.

The path it determined: to excel through process excellence. By designing and improving processes for consistent delivery with minimum variation and minimal waste, the post office could excel and rise above the competition.

Correios 2020 called for the adoption of models of excellence across various areas of the organization. Meeting the plan’s ambitious goals would require process improvements, technology investments and workforce training.

Osório Carvalho, Correios Head of Logistics Strategy, confides that the BPO team acknowledged that in order for the Correios 2020 plan to succeed, they would need to implement new solutions in place of those used by the organization in the past.

A Logistics Overhaul

As the Correios 2020 initiative got underway, BPO assigned a project team to modernize its internal logistics processes, as well as the logistics services and solutions it provides customers. With the help of an external consulting firm, BPO conducted research to identify process models utilized by successful global enterprises and pinpoint specific solutions it could apply to its own organization.

Among the process models that emerged: the APICS Supply Chain Operations Reference model, or SCOR.

SCOR is the world’s leading supply chain framework that links business processes, performance metrics, practices and people skills into a unified structure. The BPO team saw that the SCOR model could provide a proven structure and framework to enable the optimization of both internal and external logistics solutions.

SCOR Training for 500+ Employees

BPO worked with Integrare, an APICS channel partner in Brazil, to deliver SCOR training to its logistics employees. São Paulo training participants were introduced to the SCOR model and terminology, and learned how to utilize and interpret the framework. They were shown how to implement a typical SCOR project and gained an understanding of the major process components of the SCOR framework (Plan, Source, Make, Deliver, Return, Enable) from a supply chain perspective.

Approximately 60 employees completed SCOR training through Integrare. As the use of SCOR expanded, BPO established its own internal SCOR education program—successfully training about another 450 professionals in SCOR principles using online and self-study methods. For those employees who did not read English, BPO translated portions of APICS training materials into Portuguese. Since training began, six individuals have gone on to earn the APICS SCOR Professional (SCOR-P) endorsement, which demonstrates an advanced understanding of the SCOR model. To attain the endorsement, individuals must study for and pass an exam.

SCOR knowledge made it easier for BPO employees to efficiently design, evaluate and improve supply chain and logistics processes based on the SCOR model. Employees used Software AG's ARIS Business Process Analysis Platform and EasySCOR software to support SCOR project implementation across the organization. The ARIS EasySCOR supply chain modeling software was recently updated and relaunched as the SCOR BPM Accelerator Powered by ARIS, and is available on the Software AG Marketplace. This supply chain-specific modeling environment enables organizations to reduce the time required to design and implement new supply chain processes by building on the best practice processes contained in the SCOR model.

"Early benefits of SCOR became apparent right away," Carvalho says. Before the introduction of SCOR principles, employees had communicated using industry-specific postal vernacular. As soon as the team completed SCOR training and launched SCOR projects, employees assimilated and began using consistent logistics terminology that spans industries and continents and is universal in scope.

"What impresses me most about the APICS body of knowledge, courseware and certification program is the universality of communication of the concepts."

— Osório Carvalho, Head of Logistics Strategy, Correios

"We saw a change in behavior of the professionals involved," Carvalho adds. "Employees began to study more, be more interested in learning about logistics and key processes indicators, and gain a better understanding of logistics technology."

The Business Case

The post office has an organization-wide plan in place that links education programs to development projects, and as such, the use of SCOR is tied to key performance indicators (KPIs) and responsible for achieving business results. Positive results came quickly.

By leveraging the SCOR framework, BPO internal logistics has achieved a cost savings of approximately \$60 million annually. At the same time, annual direct labor costs decreased by a stunning 79 percent. The cost of goods sold also went down by 12 percent.

\$60 MILLION IN SAVINGS

↓ 79%

DIRECT LABOR COSTS

↓ 12%

COST OF GOODS SOLD

"SCOR enabled us to reduce fulfillment cycle time by 25 percent, while delivery accuracy increased by 25 percent." Carvalho notes.

Return on supply chain fixed assets has grown by 62 percent over a 12-month period. And because of the streamlined processes and greater efficiencies, BPO has been able to reduce the number of warehouses in its internal logistics operations.

Looking Ahead

Today, SCOR training is complete at BPO: All employees who required training have successfully completed the coursework. The use cases have been entered into the BPO manual, its logistics systems are fully automated and program managers are closely monitoring the results through KPIs.

In the future, BPO will enter into a program of continuous improvement.

"Perhaps the best outcome of the APICS training program has been employees' behavior changes," Carvalho says. "And what impresses me most about the APICS body of knowledge, courseware and certification program is the universality of communication of the concepts."

About APICS

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