

**ILLOVO**

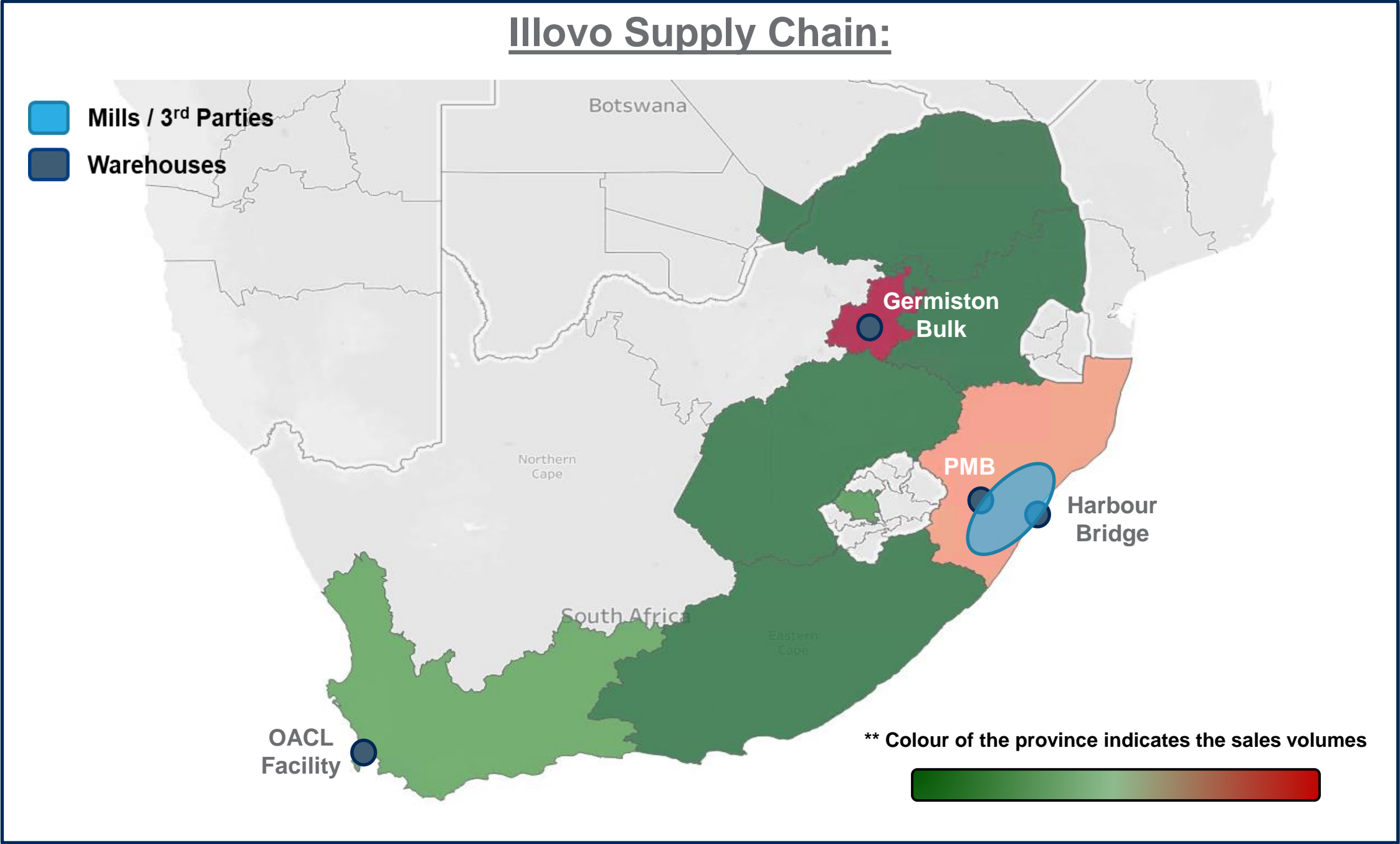
# **SUPPLY CHAIN OVERVIEW**

February 2021





# ILLOVO SUPPLY CHAIN OVERVIEW



Supply Chain Costs		
Cost Area		Total Costs
Primary Transport	Road	34 443 845
	Rail	32 575 638
	Ship	14 928 433
	Total	R81 947 916
Customer Distribution	Bottlers	19 634 943,00
	Trade	35 670 963,00
	Total	R55 305 906
Warehousing	PMB	84 925 405
	Germiston	15 852 891
	Harbour Bridge	15 345 894
	OACL Facility	1 857 778
	Total	R117 981 968

The 2021/2022 Budgeted Financials have shown the below changes:

- Elimination of Shipping to Walvis Bay: R25 480 685,28
- Elimination of Fixed Transport Costs (Bottler’s Network): R6 491 279,38
- Reduced Customer Distribution Variable Costs (Trade Market): R10 036 898,83
- **Transport Cost Savings: R42 008 863,49**

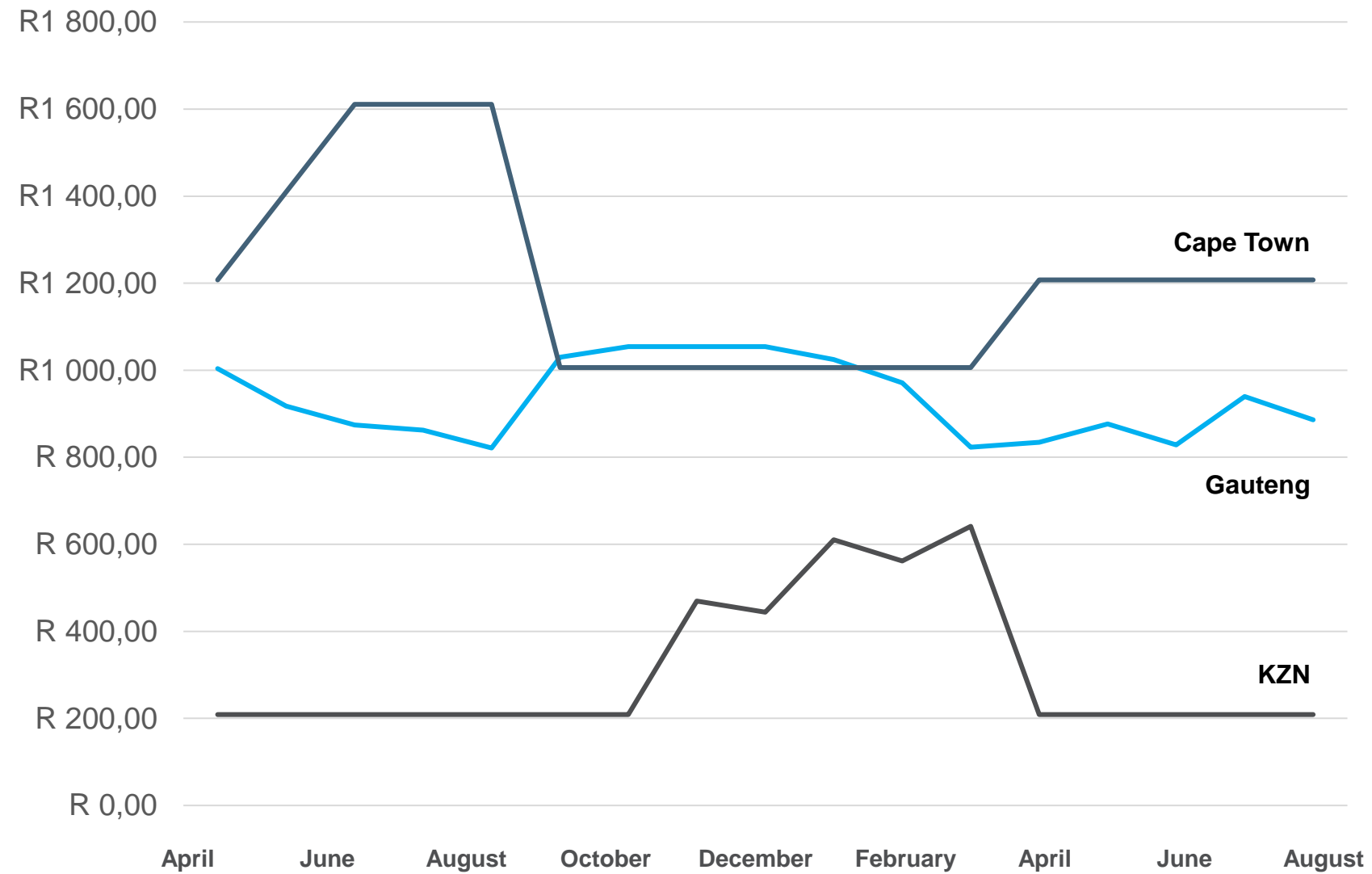
2021/2022 Network Costs:

R255 235 790

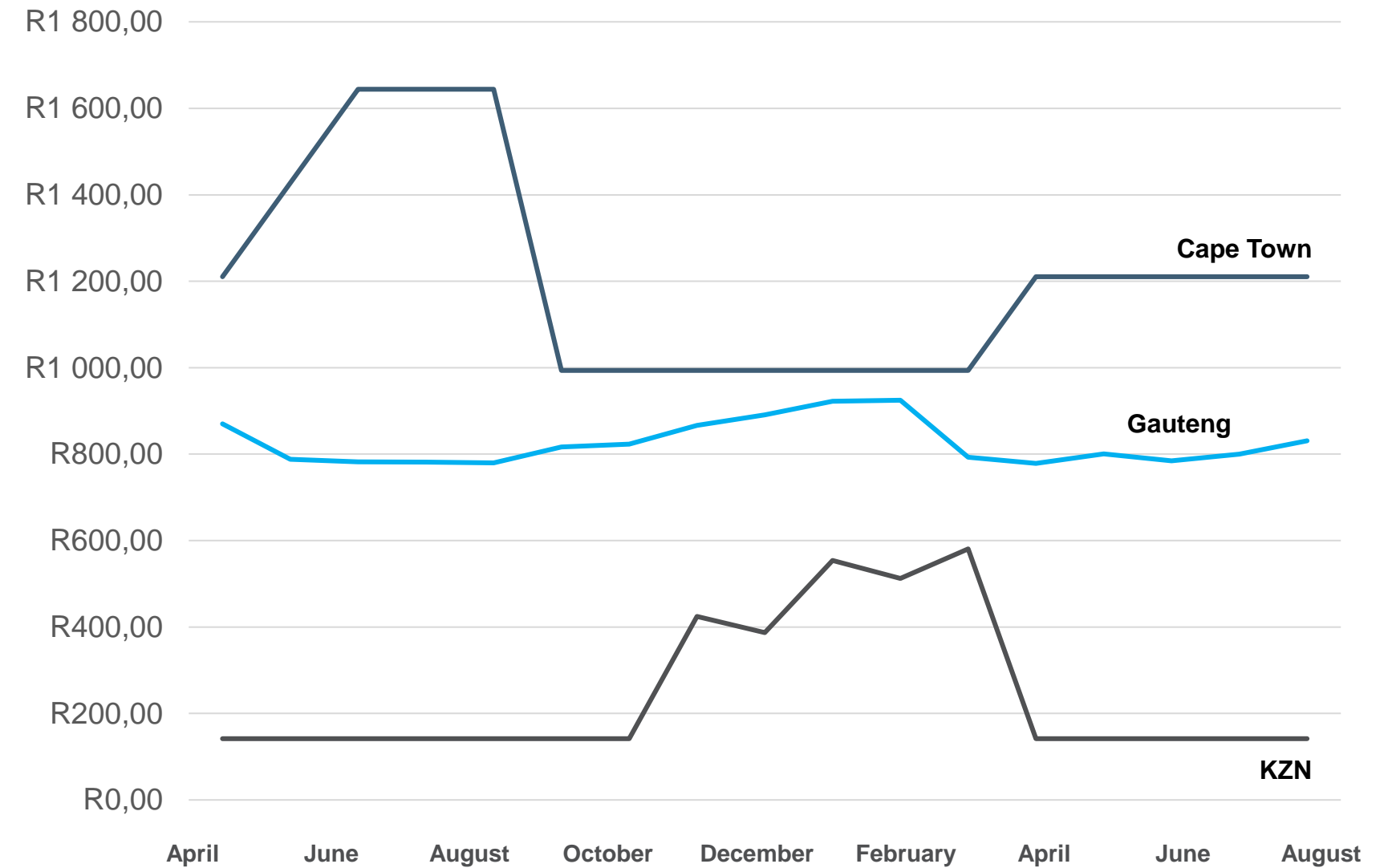
\*\*The total network cost includes both the bulk & retail network costs

# BOTTLERS COST TO SERVE: FACT BASE




Current Cost to Serve – Monthly Overview:



Future Cost to Serve – Monthly Overview:



## Cost to Serve

Customer		Current CTS	Potential CTS
Cape Town		1 205,84	1 210,37
Gauteng		961,19	858,21
KZN		341,24	244,68

## Potential Improvement Areas:



### Warehousing:

- Capacity utilization
- Potential consolidation
- Handling capability



Double handling  
in the KZN region



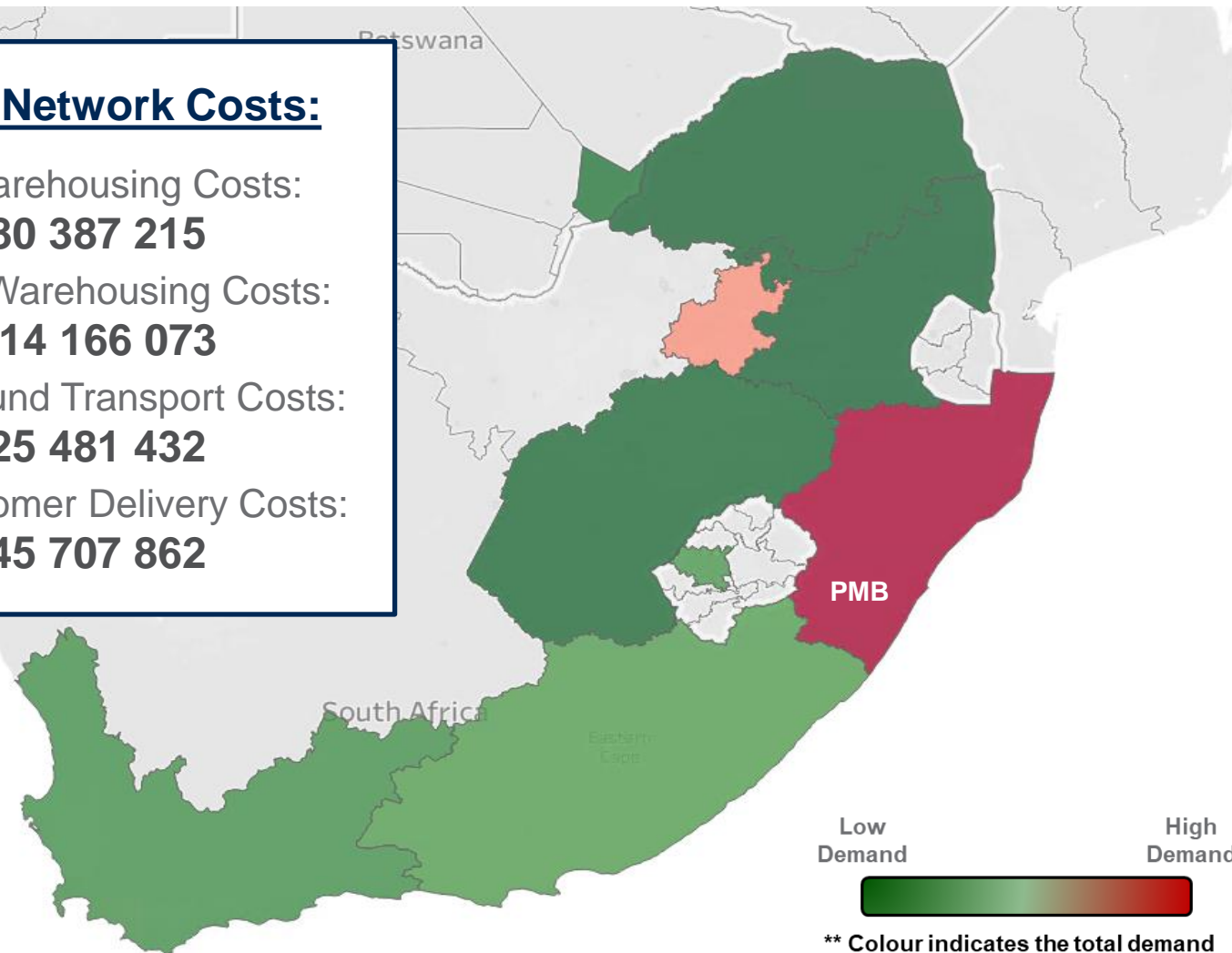
Rail Transport  
Utilization

# PMB NETWORK MODEL: FACT BASE

PMB Annual Network Costs: Current

**Annual Network Costs:**

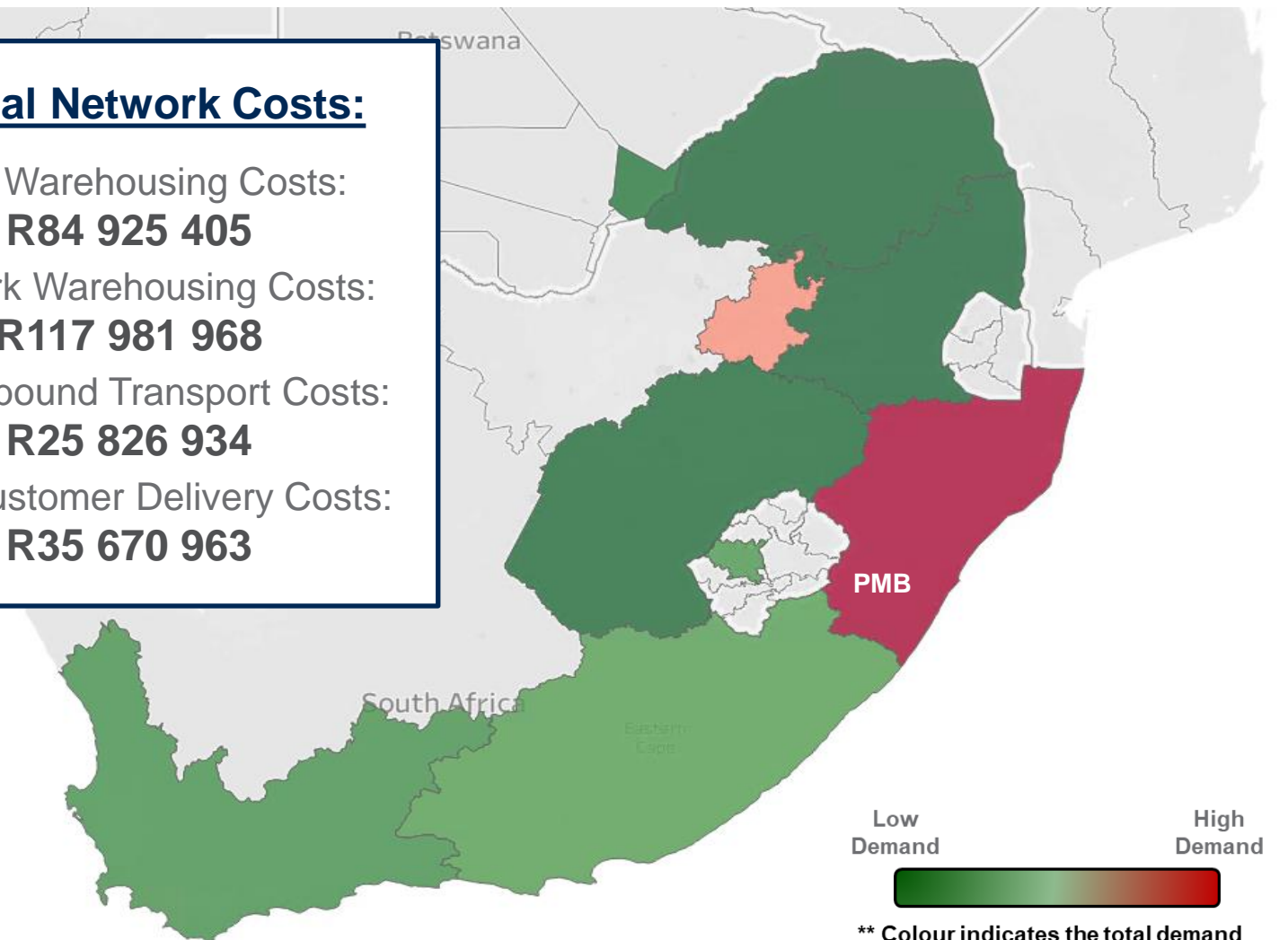
PMB Warehousing Costs:  
**R80 387 215**  
Network Warehousing Costs:  
**R114 166 073**  
PMB Inbound Transport Costs:  
**R25 481 432**  
PMB Customer Delivery Costs:  
**R45 707 862**



PMB Annual Network Costs: Future

**Annual Network Costs:**

PMB Warehousing Costs:  
**R84 925 405**  
Network Warehousing Costs:  
**R117 981 968**  
PMB Inbound Transport Costs:  
**R25 826 934**  
PMB Customer Delivery Costs:  
**R35 670 963**



## Potential Improvement Areas:



**Warehousing:**

- Capacity utilization
- Potential consolidation
- Handling capability



**Implementation of  
small drops**



**Increased product  
understanding**



**Direct deliveries from  
mill to customer**

# SCENARIO OUTPUTS

The below listed scenarios and quantification of possible savings are based on the 2021/2022 budgeted financials and are still applicable.

\*\* Fixed Warehouse Costs are not direct savings

\*\* Certain scenarios are mutually exclusive

Scenario		Transport Cost	Warehouse Cost	Labour Cost	Capital Required	Total Cost Saving
Germiston Silo Capacity Utilization	Stock Level Optimization	(1 061 489,76)	Fixed: 2 914 920,65	-	No	R1 853 430,89
	Lease out excess capacity	-	1 678 500,00	-	No	R1 678 500,00
Gauteng Primary Transport Optimization		(2 729 857,82)	Fixed: 8 611 451,14	Mill Operational Window Extension	No	R5 881 593,32
Direct Delivery from Mill to Customer	Deliver to Gauteng Bulk Customers	643 660,00	Fixed: 1 458 872,00		Additional Tanker Cost: TBC	R2 102 532,00
	Closing Germiston Bulk	2 826 415,57	Fixed: 2 953 068,09 GB: 15 852 891,00	-	Silo Costs: 10 000 000 Tanker Costs: TBC	R21 632 374,66
	Deliver to KZN Retail Customers	2 251 468,36	Fixed: 5 546 931,70	-	Construction Costs: TBD	R7 798 400,06
Double Handling Elimination	Loading Tankers at Harbour Bridge	1 915 313,92	-	760 223,84	No	R2 675 537,76
	Loading Tankers at PMB	1 032 975,55	-	1 186 568,76	Hopper Moving Costs: TBD	R2 219 544,31
	Silo Construction in the KZN region	1 032 975,55	Fixed: (1 202 552,00)	1 186 568,76	2 500 Ton: 2 500 000 7 500 Ton: 7 500 000	R2 219 544,31
Small Drops per Shipment (PMB Warehouse)		1 710 088,66	-	-	No	R1 710 088,66
Packing Plant Optimization	Packing Plant Consolidation at PMB	1 418 809,00	-	Labour Reduction: TBD	Plant Moving Costs: TBD	R1 418 809,00
	UK Packing Plant to PMB	1 418 809,00	-	-	Plant Moving Costs: TBD	R1 418 809,00
	UK Packing Plant to Germiston	863 411,84	Fixed: 4 658 506,32	-	Plant & Construction: TBD	R5 521 918,16
Increase Mill Storage Capacity		3 860 304,00	Fixed: 4 085 120,00	-	Construction Costs: TBD	R7 945 424,00
Silo Construction at Gauteng Customers		228 494,52	Fixed: 2 138 463,99		Construction Costs: 1 850 000	R2 366 958,81
Loading Shipping Containers at PMB		(4 084 434,34)	-	-	No	(R4 084 434,34)
Closing Harbour Bridge		-	15 345 894,00	-	No	R15 345 894,00