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Answering All the Right Questions for Distribution Network Optimization

In today's rapidly changing distribution environment, it's critical for businesses to look inside and outside the box, in order to optimize the entire network as well as warehouse labor and capacity. We got in touch with KOM International, a supply chain consultancy, to find out more.

Allan Kohl, President of KOM International, warns that "If you don't know where you're going, any road will get you there" and distribution executives must ask the critical questions up front and then drill into detailed operational data to get the right answers to optimize their network.

Questions should address the following areas:

Network Structure: This involves looking at locations, products, clients served, multi-state vs regional, fast-slow, service levels.

Layouts and Expansions: This is with regard to timing, size, capacities, slotting efficiency, and labor productivity

Storage and Handling Systems: Looking at whether the systems are conventional, mechanized, and automated: ROI, design year.

Customer Assignment and Service Levels: Factors such as having multiple facilities; time, distance and routing need to be addressed.

Product Stocking Locations: Focusing on the regional vs national issue; vendor location, movement, and if they are store friendly.

Inbound: This involves consolidation centers, vendor transport costs, single vs multiple receiving points.

Channel and Product Flow: This is with regard to DSD vs distribution impact, long distance deliveries, seasonal flows.

Service: This involves looking at existing benchmark vs target, modified lead times/delivery days/cut off time

Procurement: This is in relation to discounts, allowances, rebates, distributor vs manufacturer sourcing.

"AGILE, a comprehensive modelling process developed and proven in real world network applications is the key to producing excellent and actionable results in this arena; it simultaneously addresses network design, DC design, as well as storage and materials handling system design" advises Vince Canonico, a KOM Senior Partner and logistics network specialist.

Vince states that "AGILE is uniquely effective due to its simultaneous top-down and bottom-up modeling during both acquisition phases.

- During the due diligence, we can model in the face of information gaps;
- During post-acquisition, we can implement faster than any other methods so that we begin accruing savings sooner."

Peter Reed, Senior Partner at KOM explains that as Vice President National Engineering at Sobeys Canada, and in collaboration with Vince Canonico, "we relied on the AGILE modelling approach for all of our recent network solutions and improvements."

Sobeys Canada is a grocery retailer comprising multiple banners including corporate and franchised supermarkets, convenience stores, food wholesale, drug stores, and gas bars, with \$24BB in annual volumes across 1,500 locations, 125,000 employees, and a network of distribution centers spanning the country.

Peter goes on to explain how the Sobeys distribution network was developed through the output of AGILE's detailed and comprehensive multi-level management decision metrics in all critical network areas to be optimized, including: demand and supply planning at the sku-vendor-day and location level; network planning at the facility, product, customer and location level; facility planning to the sizing, staffing, productivity, budgeting and capacity level; transportation planning of lanes, routes, pro forma cash flows; scenario planning with options for growth and trade-offs; financial planning with cost benefit analysis, rankings and risk factors.

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