

CASE STUDY



DISTRIBUTION NETWORK DESIGN

INDUSTRY: CONSUMER PRODUCTS

\$1.8 MILLION IN ANNUAL TOTAL LOGISTICS COST REDUCTION

OPTIMIZED THE CUSTOMER'S OUTBOUND DISTRIBUTION NETWORK IN ORDER TO REDUCE TOTAL LOGISTICS COST, IMPROVE INVENTORY AVAILABILITY, AND MAINTAIN OPTIMAL SERVICE LEVELS

Current State: Client Challenges

Due to multiple acquisitions, the customer's distribution network was overlapping and the number of distribution centers had grown to 64 locations. The more warehouses within the network meant more inventory in the total system, more fixed cost, and less opportunity to consolidate inbound and outbound warehouse shipments.

Even though several regional optimizations had been performed, it was evident that costs needed to be reduced and inventory availability needed increased through a full network analysis and implementation.

In addition, customer service levels needed improved because customers had requested:

- 1) More inventory availability
- 2) 4/7 flexibility
- 3) Same day/next day delivery

Based on this voice of customer (VOC), the client knew that warehouses needed to be within a four-hour distance of its customers.

Upon realization of the multiple areas for opportunity within its network, the client determined that partnering with LeanCor would enable it to focus on its core competencies while the analysis was completed. Once the plan for the optimized network was developed they would have a detailed road map to bring the plan to reality.

Future State: Analysis, Tools, Solutions

LeanCor focused on the current distribution network including the SKUs and product offerings in the sixty-four locations, and locations served from those facilities. Customer order frequencies, volumes, and geographic locations were analyzed to design an optimal outbound transportation strategy.

The team began the project with a current state assessment of the outbound transportation and distribution network data, followed by the future state outbound transportation and distribution analysis.

Comparison of the current state to the future state total logistics costs allowed the team to calculate the

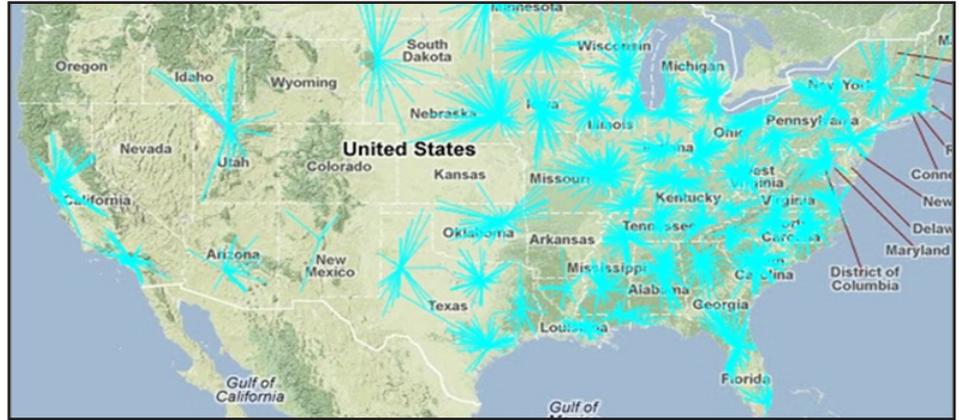
return on investment and provide a detailed breakdown of methods to achieve savings (through mile reduction, inventory carrying costs, warehouse fixed costs, etc.). A summary of the non cost related benefits was also provided to capture the impact to customers and to the client. Upon completion of the analysis, a road map for future state implementation was developed and risk analysis was conducted to ensure the plan was a success.

Results:

Deliverables and Improvements

As a result of this project, the client was able to continue to focus on its core competencies while its optimal outbound distribution network was achieved. This project provided the following areas of improvement:

- Reduced inventory and inventory costs
- Reduced fleet costs
- Improved inventory availability
- Right sized number of distribution centers
- Improved Inventory replenishment methods
- Total logistics cost reduced by \$1.8M (exceeded goal of \$1M)
- Reduction in distribution points within the network
- Number of warehouses reduced from 64 to 51 (exceeded goal of 55)
- Less warehousing with same



service level

- Average cost per unit reduced by 10.6%

LeanCor ensured that the client achieved its goal to reduce the number of distribution points by decreasing its number of warehouses by 13. This goal was achieved with no reduction in service to its customers.

Customer Home-Runs:

- The client requested an optimized network with an annual cost reduction of \$1M, utilizing 55 warehouses within four hour distance to the customers.
- LeanCor exceeded that goal by providing the client with an optimized network achieving annual total logistics cost reduction of \$1.8M, utilizing only 51 warehouses at the same service level.

Testimonial

"LeanCor was instrumental in helping [us] optimize our distribution network. Their optimization analysis concluded that we can improve the service level our valued customers have come to expect, while enabling us to reduce our overall logistics cost. LeanCor's analysis was produced on-time and on-budget and fully met our expectations."

Vice President of Logistics