



Exposing a major miss in network model

Get a 2nd opinion

CHALLENGE

Through mergers, the company had overlapping distribution, inventory problems, and escalating costs.

SOLUTION

Prove or disprove theoretical distribution network study. If disproved, quantify and justify real distribution network.

RESULTS

- ⇒ Verified current network
- ⇒ Built accurate model
- ⇒ Justified change
- ⇒ Recommended new network
- ⇒ Reduced costs

Distribution network model disproved, savings millions in unnecessary costs

The Client

After several strategic acquisitions, this multi-billion dollar manufacturer of medical devices had a distribution network that overlapped and several inventory challenges. After completing a strategic network modeling exercise, and before investing millions in the solution, they wanted to know if the new facility alignment was correct and the savings real.

The Challenge

The strategic network model was built from inconsistent data and for the most part based on averages and aggregate data. The results from this exercise suggested closing 4 DCs and consolidating inventory into 1 DC with estimated savings in excess of \$24,000,000 over 5 years.

Determined that savings were not real

Although many network modeling tools are good at estimating a general idea of distribution locations and costs based on various inputs, they are not very good at factoring actual carrier service and the real dollar impact. The challenge was to verify the amount of savings that was stated by consultant and the changes in service to the customer (fill rates and time to deliver).

The Solution

A new model of the current operation was built by Trans-solutions. This model used real warehouse, inventory and shipment level data for each mode. Various scenarios to optimize the network were run. The results showed limited savings. Because of the number of manufacturing sites that also distributed orders, there was a profound pull on the model back to the manufacturing locations. A significant amount of freight had to be expedited to maintain service that previously traveled via ground mode. As a result, the model did not optimize as well as the theoretical study suggested. It omitted the expedited service. Theoretical studies are good for theoretical answers. Real models built by Trans-solutions show real answers.

Calculated real costs, disproved theoretical model

For more
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