

# Practical vs. Strategic Networks

## **Practical Network Model**

For a more accurate model, operators must use actual traffic, warehousing, and inventory costs not averages and aggregates. Practical models enable you to accurately compare your current cost against changes to your network. These changes can be location of distribution points, cost structures, service standards, and inventory levels held at the warehouse or sourcing locations. Trans-solutions utilizes its proprietary software, <sup>™</sup>*Xact Negotiator*, to build your models.

Unlike strategic models, real shipment data and fulfillment costs is used. Actual shipments are re-rated from different shipping points to determine the change in cost and service with each scenario. What is more, real carrier times in transit standards are used in these models. Therefore, the results are financially accurate and provide practical service standards so that you can make an educated decision on what will produce the most optimal customer experience.

## **Strategic Network Model**

In these modeling exercises, off-the-shelf software is leased from one of a handful of providers. These software enable a shipper to model many scenarios quickly. However, the model is built on aggregates and averages so the numbers are only a good estimate. If you are looking to decide between generally favorable sourcing locations, and seek a directional solution, these are good tools.

These exercises are typically much more expensive than a practical model. Partly, because you have to lease the tool, but mostly because you may end up paying more in transportation and warehousing costs because locations that are selected are often not favorable to transportation rates.

Would you select a network because it had fewer miles?