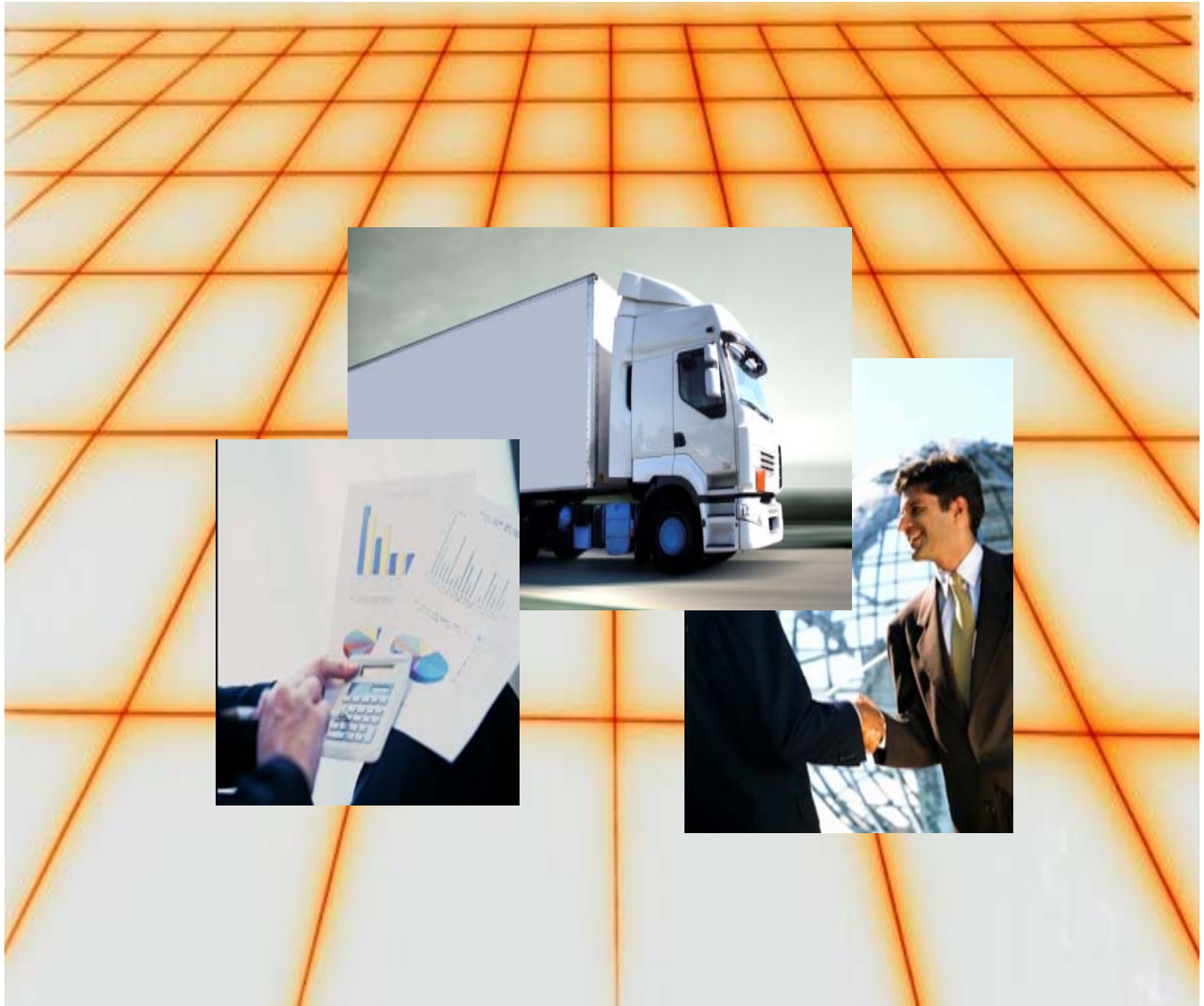


# *Supply Chain Network Modeling*

## Case Studies



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## Case Study – Global Consumer Goods Company

### **Objective:**

A global Consumer goods manufacturing company was looking to evaluate a series of manufacturing sourcing effects on their logistics operations as part of a cost reduction and restructuring project. The main objective was to design a North American network that would provide an optimum balance between manufacturing/conversion costs, customer service levels, and total distribution costs. The complexity of 5 individual business units needed to be rationalized along with assessing the feasibility and capacity implications of consolidating manufacturing, distribution and club pack assembly. Other goals included determining if synergies could be achieved by combining all business units or specific networks along with integrating finished goods packaging operations into the distribution center in order to support reduced working capital targets. Lastly, there was a need to evaluate moving certain manufacturing to China and Mexico along with determining the optimal ports of entry.

### **Solution:**

After a failed attempt by another consulting group to model the network, SLC was brought in to revive the project and deliver results. SLC captured the current network configuration and then determined the best network of manufacturing facilities to minimize costs throughout the system. Through the use of the **SLC Benchmark Database™** a set of competitive sites were identified to consider in reconfiguration modeling runs. In addition, the expertise and experience of SLC in network modeling and consumer goods were leveraged to guide the project team and achieve the objectives of the project.

### **Benefits:**

The company was able to achieve a net impact of a \$25 million on its bottom line through cost reductions. This was accomplished by shifting production volumes to more cost-effective locations as well as reducing the number of distribution points and consolidating operations. The final network model solution resulted in the shutting down a major manufacturing facility, elimination of 5 distribution centers, and the integration of 2 key business units into a common network. It also confirmed the value of maintaining separate networks for the other business units. The final solution delivered improved service, increased productivity and other organizational synergies that resulted from having a more simplified network.

After the client completed migrating to the new network, SLC was brought back to model additional alternatives. An additional \$5 million in cost reductions was realized by eliminating additional distribution centers and adjusting sourcing patterns.

## Case Study – Global Confectionary Company

### **Objective:**

A global Confectionery manufacturing company was looking to rationalize its display assembly and distribution network in an effort to reduce costs and improve service. The main objective was to design a network that would provide an optimum balance between display assembly costs, customer service levels, and total distribution costs. Display assembly points, pool points vs. direct LTL, and the divesting of a business unit needed to be rationalized along with assessing the feasibility and capacity implications.

### **Solution:**

Another well know supply chain consulting company conducted a network study that contained recommendations that lacked credibility. The results and recommendations did not make sense, and could not be supported by the data, the customer base, manufacturing network or carrier base. SLC was brought in to redo the entire project. We captured the current network configuration, and then determined the best display assembly and distribution strategy to minimize costs throughout the system. Through the use of the **SLC Benchmark Database™** a set of competitive pool points and distribution sites were identified to consider in reconfiguration modeling runs.

### **Benefits:**

The company was able to achieve a \$9 million cost reduction (13% annual re-occurring savings) that significantly impacted its bottom line. This was accomplished by shifting display assembly volumes to more cost-effective locations, adjusting DC service areas along with the number of distribution pool points. The recommendations also included a revised transportation strategy that clearly defined the service areas and trade-offs of direct LTL shipments and pool points. Lastly, the total overall network miles were reduced.

## Case Study – Snack & Food Company

### **Objective:**

A snack and food company was seeking to evaluate various network scenarios and optimize its US distribution network for a selected group of their customers. The main objective was to design a network that would provide them with the distribution infrastructure required to enhance service levels, control inventory and distribution costs as well as support future growth.

### **Solution:**

SLC was brought in to assist the company, and conduct their first Distribution Network Optimization Project. SLC captured the current network configurations then determined the best network of Distribution Centers and distribution strategy to minimize costs throughout the system. SLC developed a strategic network transformation plan that mapped out the short, medium and long-term transition of the company's distribution network.

Through the use of the **SLC Benchmark Database™** a set of competitive sites were identified to consider in reconfiguration modeling runs. In addition, the expertise and experience of SLC in network modeling and consumer goods logistics were leveraged to guide the project team and achieve the objectives of the project.

### **Benefits:**

The company was able to achieve a net impact of a 10% annual re-occurring savings/reductions. This was accomplished by closing 5 3PL forward DCs, virtually eliminating inter-facility transfers and out of region shipments, increasing direct deployment, reducing total finished goods inventory investment and carrying costs, as well as reducing business complexity in deployment, network management and staffing requirements.

As a follow-up phase, after the company completed an acquisition, SLC was brought back to assess the impact of the acquisition on the company's US distribution network. The overall objective of the second modeling project was to determine the incremental requirements by DC in the company's distribution network.

Additional information can be obtained by contacting:

### **SEBER LOGISTICS CONSULTING, INC.**

104 TAMARACK CIRCLE  
SKILLMAN, NEW JERSEY 08558

OFFICE: (609) 688-1000      EMAIL: [jim@seberinc.com](mailto:jim@seberinc.com)  
FAX: (609) 688-9000      INTERNET: [seberinc.com](http://seberinc.com)