



Industry: Retail
Country: Australia

Nature of Project: Distribution Network Strategy

Background

- Dramatic increase in offshore sourcing (China)
- Purchasing focus on FCL discounts
- Increase in bulky products; 25% reduction in cartons/pallet
- Inventory levels increased by over 30% in 12 months
- National DC and 3 overflow facilities in Brisbane; regional DC's (Auckland, Perth) exceeded capacity
- Increased DC operating and store replenishment costs

Objective

- Identify lowest cost network structure to satisfy store replenishments
- Allocate projected new store openings to preferred DC over 4 year time horizon
- Identify function and size of each facility in projected network

Solution

- Strategic modeling of 3 network scenarios
- Preferred network structure featured inbound FCL deliveries to regional DC's and consolidation of LCL loads in China
- Identification of function, fit out, projected capital and operating costs for each facility
- Operating cost savings of >10% were realised by SCA
 - Note: New network design corresponded with 25% inventory cost reduction

