



How Distribution will change with Globalisation

1. Longer supply chains do horrid things to the distribution task. Stock goes up and service level falls.
2. Logistics can't make this better, but there are now many things we can do to make it 'less worse'.
3. Distribution Centres (DCs) which maybe used to receive 95% of goods roughly when they were needed will see that figure fall below 70%. At long lead times on-time inbound goods will, *with hindsight* be any and every mix of wanted, overdue or unwanted.
4. Crossdocking today's shortage goods ("crossdocking by accident") will replace crossdocking by design. Crossdocking pre-designated SKUs was always a red herring. It reduced logistics costs by pennies and company profit by pounds.

A Different Conceptual Framework

1. A network design with associated DCs would only be perfect if the business projections over the build period were perfect. At the speed businesses actually change, the design 'might be right for a few months, we just can't know which few'.
2. The business projections can't be perfect, and efforts to make them better miss the point. At best the new estimates are right "for a different few months". Making a design resilient is actually only step 1.
3. We need anyway to deploy an array of resilient strategies to cope with (inter alia) ever changing needs, ever changing legislation, ever changing congestion; mergers, acquisitions and disposals; and a mix of old and new DCs built for and suited to different tasks.

This makes DC design easier. Saying 'we don't (can't) know' is very empowering.

It's also very exciting. This is where much of the hidden gold lies. We *can* run at low DC service levels.

4. Because we can perfectly trade off Service Level, Lead Time and Inventory there are a range of tunes we never previously thought to play. For example:-
 - Time deferral (of store replenishment) admixed with (the more common) quantity deferral.
 - Variable DC service level settings.
 - Variable product (SKU) service level settings, and so on.

These work best if the shop stocks are set scientifically and are accurate. Many are neither; those firms can only play some of the tunes some of the time. Until they fix the source they need to know where to stop.

Using these techniques we've shown how to maintain store service levels on less than half the DC stock. Also how to gain the benefits of multiple DCs without the main downside (wrong place stock).

And finally

As all retailers learn the same tricks, the winner will be the one who is smartest about which sales to lose. This is a field where the debate has barely started.

Great swathes of shop stocks are 'markdowns just waiting to happen'. While some of this is an inevitable cost of being in retail, by far the largest portion is not.

Supply Chain Tools' Mission

Alarmed at the poor record of implementation, Supply Chain Tools' founder and MD Bill Brockbank set out to bridge all the gaps between logisticians and their myriad customers. Developing a huge variety of engaging,

interactive, graphic models, SCT has been able to bring mixed ability and cross functional groups to a common understanding. This example is just one of about 100 such tools covering every possible aspect of Logistics.