

Guest Editorial

Answering All the Right Questions for Distribution Network Optimization

In today's rapidly changing distribution environment, it's critical to look inside and outside the box, to optimize the entire network as well as warehouse labor and capacity.

Allan Kohl, President of KOM International, warns that "If you don't know where you're going, any road will get you there" and distribution executives must ask the critical questions up front and then drill into detailed operational data to get the right answers to optimize their network.

Questions should address the following areas:

Network Structure: locations, products, clients served, multi-state vs regional, fast-slow, service levels

Layouts and Expansions: timing, size, capacities, slotting efficiency, labor productivity

Storage and Handling Systems; conventional, mechanized, and automated: ROI, design year

Customer Assignment and Service Levels: multiple facilities; time, distance, routing

Product Stocking Locations: regional vs national; vendor location, movement, store friendly

Inbound: consolidation centers, vendor transport costs, single vs multiple receiving points

Channel and Product Flow: DSD vs distribution impact, long distance deliveries, seasonal flows

Service: existing benchmark vs target, modified lead times/delivery days/cut off time

Procurement: discounts, allowances, rebates, distributor vs manufacturer sourcing

"To help clients do this KOM International has expanded our team to include expert network designers Vince Canonico and Peter Reed. We're really pleased to bring the combination of Peter's and Vince's operational level expertise to KOM's already proven suite of services" says Kohl.

"AGILE, a comprehensive modelling process developed and proven in real world network applications is the key to producing excellent and actionable results in this arena; it simultaneously addresses network design, DC design, and storage & materials handling system design" advises Vince Canonico, a KOM Senior Partner and logistics network specialist.

Vince states that "the process provides clear and quantified management decision metrics to ensure a timely implementation approval that maximizes benefits."

Peter Reed, Senior Partner at KOM explains that as Vice President National Engineering at Sobeys Canada, and in collaboration with Vince Canonico, "we relied on the AGILE modeling approach for all of our recent network solutions and improvements."

Sobeys Canada is a grocery retailer comprising multiple banners including corporate and franchised supermarkets, convenience stores, food wholesale, drug stores, and gas bars, with \$24BB in annual volumes across 1,500 locations, 125,000 employees, and a network of distribution centers spanning the country.

Peter goes on to explain how the Sobeys distribution network was developed through the output of AGILE's detailed and comprehensive multi-level management decision metrics in all critical Network areas to be optimized, including: *Demand and Supply Planning* at the sku-vendor-day and location level; *Network Planning* at the facility, product, customer and location level; *Facility Planning* to the sizing, staffing, productivity, budgeting and capacity level; *Transportation Planning* of lanes, routes, pro forma cash flows; *Scenario Planning* with options for growth and trade-offs; *Financial Planning* with cost benefit analysis, rankings and risk factors.

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