Wilson Perumal & Company's

Insights to Action

Success Stories from Leading Companies

A distribution company trying to recover after declining demand

After numerous years of record levels of business, a leading global distributor (DistCo) was now seeing the opposite trend…record levels of declining sales. A careful analysis of the market revealed that key customer segments were facing large declines in demand which was expected to only worsen in the future. It was clear that lower volumes were more than a temporary issue, and DistCo needed to take drastic action in order to survive.

Microscope turned to infrastructure footprint

Analysis determined that even if DistCo achieved best-in-class efficiency through process improvement, they would still not make up for the expected drop in demand. The only option left was to drastically reduce their fixed costs by reducing their infrastructure footprint.

To proceed, DistCo needed to assess its financials and operations in order to determine how to best reduce its infrastructure to reach its desired future state.

Finding metrics to assess

Once DistCo decided it needed to shed some of its distribution centers, the company analyzed a few different potential network options, keeping some centers and closing others in each scenario. When looking at these scenarios, the company wanted to select key metrics to use for comparison.

DistCo focused on costs for each potential future state network, including shipping costs, the costs to shutdown centers that would no longer be used, and the fixed costs for each building. At the same time, DistCo wanted to ensure it could meet customer needs, so the company also assessed whether each scenario possessed the required shipping and storage capacity, while also guaranteeing that the necessary workforce would be in place for each passing scenario.

Determining the appropriate network

Once DistCo understood which metrics to assess, they prioritized the metrics based on their relative importance. DistCo then ranked the different potential network scenarios based on their performance related to these metrics. Using these rankings, a final future state distribution center network was selected.

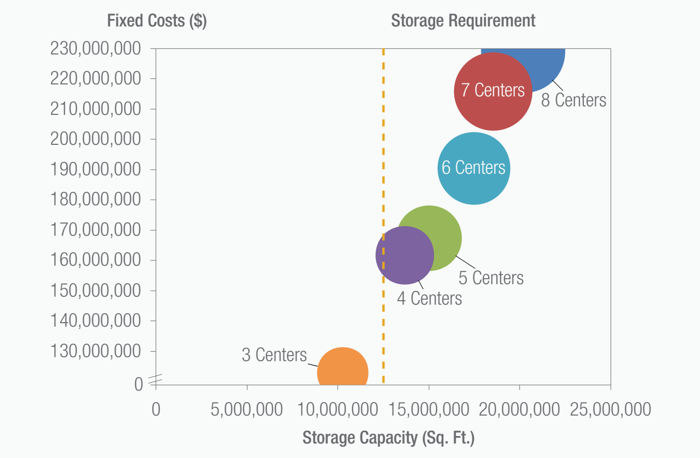

Figure 1: Trade-off between the number of network disctribution centers and the fixed cost amounts; also displays whether each scenario meets the storage requirement.

Implementing the strategy and tracking transformation

After DistCo selected its desired future state network, it quickly worked towards implementing this strategy. The company created a transition plan to determine how to best progress to the future state while also gauging how costs and operational performance would vary during the transformation.

Results:

DistCo's initiative to condense its infrastructure footprint reduced its overall costs by approximately $40M annually, while also maintaining its ability to service customers at the same level it had in the past.

Do you have room to drastically reduce your infrastructure costs?

Will reducing your distribution centers affect your ability to properly service customers?

To learn more, contact us at contact@wilsonperumal.com.

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