

Case study



SIX-FIGURE SAVINGS UNEARTHED FOR AMERICAN RETAILER

DAMCO'S SUPPLYCHAIN HEALTHCHECK™ HELPED A MAJOR RETAILER BOOST EFFICIENCY AND REDUCE EXCESS INVENTORY

After a thorough analysis of the import supply chain network of an American retailer – looking specifically at the non-store delivery business – Damco identified a potential six-figure saving, large inventory reductions and other major efficiency gains in its supply chain.

THE CHALLENGE

This retailer has over 1,500 superstores in the US, and also serves its customers through mail order catalogues, e-commerce and contract businesses. With a huge amount of goods passing through its supply chain, it needed to improve the flow and speed of goods while maintaining a high level of service.

The customer wanted a more flexible, scalable, adaptable and cost-effective supply chain – both in the US and in origin

countries. It also wanted to leverage current infrastructure (without Distribution Centre (DC) rationalisation) while staying in sync with its import strategy.

The customer's supply chain consists of networks from different business units, which include multiple DCs. Working closely with the customer's supply chain team, we identified the following challenges:

DC capacity constraints

The customer's products flowed to multiple networks. However, a better solution would be to send inventory through the same network by moving the products to one location. Also, inbound supply exceeded outbound demand by approximately 38 per cent – and with fast annual growth, this meant the existing facilities faced serious capacity issues.

Excess inventory

Products were pre-allocated to each facility when orders were issued to vendors. But because of the unreliability of forecasting, the demand for products often changed by the time products arrived in the US. The result was excess inventory in many facilities, and excessive transport costs when redirecting consumer orders.

Demurrage/detention charges

Uncertainties in demand and forecasting were disrupting planned dates throughout the supply chain. For example, demurrage charges were inflated if the customer had a long lead time between container discharges at POE to delivery at final destination.

THE SOLUTION

We conducted a SupplyChain HealthCheck™ by mapping the customer's current supply chain network using our in-house simulation system, Map*IT®. This analysis provided a base case that included current cost structure, lead time and product flow. HealthCheck helped us identify business improvement areas in the customer's supply chain and was also used to benchmark against other key competitors in the market.

We presented the following recommendations to the customer. They focus on allocation postponement, cross-dock at a de-consolidation facility and inventory reduction.

Product flow

Products should flow through both east and west coast ports in the US, eliminating mini land bridge (MLB) movements.

Hybrid solution at de-consolidation

90 per cent of the products could flow via the facilities on the US east and west coasts, while the remaining 10 per cent (products in constant demand) flow directly to customers facilities. 30 per cent of the products should pass through the de-consolidation point and then onto the customers facilities. The rest could be stored for replenishment.

Using the de-consolidation facility

Because the de-consolidation facility is close to demand points, the customer could defer the allocation decision, allowing for products to flow to the right place at the right time. This would produce savings on demurrage and detention bills by taking advantage of permitted yard time at de-consolidation. This also allows the customer's own facility to hold less safety stock, freeing up capacity to accommodate future growth.

THE RESULT

The customer was extremely satisfied with the work Damco presented and the possible six-figure savings. It is currently evaluating the implementation for its international consolidation.

About Damco

Damco is one of the world's leading providers of supply chain management and freight forwarding services. For more than 100 years, we have been providing customers with logistics solutions that support the way they want to do business, wherever they are in the world. Our strategic approach and hands-on services are extensive and tailored; whether it's a competitive rate for an urgent shipment or a strategic solution to create short-term efficiencies and build up long-term competitiveness. Damco is part of the Maersk Group. More information on Damco and Damco services can be found on www.damco.com.

