

## A competitive distribution network strategy

Breaking political & operational barriers





April 22, 2010 Dusseldorf, Germany

## Agenda

- Supply chains costs
  - General trends
  - Chemicals benchmarked
- Recommended supply chains strategies
  - Consolidation of distribution structures
  - Logistics Collaboration
- Summary & conclusions









April 22, 2010 Dusseldorf, Germany Supply chains costs trends & benchmark





#### Logistics Costs / CoGS (%)



Source: ELA 2008



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## Logistics costs / CoGS (%) 2008





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### 1. Consolidate in regional network structures

- Regionalization of supply chains footprint
- Declined number of storage locations

## 2. Control net working capital

- Active management of inventories

## 3. Enhance flexibility

- Reaction capability to fluctuating demand
- Replenishment on customer specific basis

## 4. Apply stringent risk management

- Mitigate payment & credit risks







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#### Distribution network consolidation & regionalization





The supply chain trade-off





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The supply chain trade-off – transport costs





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The supply chain trade-off – warehousing & handling costs





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The supply chain trade-off – supply chains assets (inventory)





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The supply chain trade-off – all operational costs



Distribution strategy – determining factors



Distribution strategy - market requirements & product characteristics



Distribution strategy – viable solutions





April 22, 2010 Dusseldorf, Germany Warehouse & transport collaboration





#### Stages of capability



Stages of capability - Stage 1: functional focus



Stages of capability - Stage 2: internal integration



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Stages of capability - Stage 3: external integration



Stages of capability - Stage 4: cross collaboration network



#### Chemicals positioning



Chemicals initiatives

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- Create platforms on logistics approach (e.g. HACCP)
- Share information on food issues per country

### **Experience sharing**

- Select vendors based on experience in FMCG / with validation
- If possible, purchase equipment / systems based on validated status

#### **Facility sharing**

- Share (temperature controlled) storage areas
- Share storage facilities (also for postponement, Value added etc.)

#### **Transport sharing**

- Share (temperature controlled)
   transportation
- Combine direct distribution transport





Benefits - overview

Transport pooling: consists of grouping together flows (order processes, storage, handling, inbound transport, and <u>mainly outbound deliveries</u>) from several manufacturers who have compatible finished goods intended for the same distribution networks, with <u>shared points</u> of departure and receipt.





#### Benefits - example AS-IS



Benefits – example TO-BE



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Benefits – business examples cross chain collaboration

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#### Warehouse & transport collaboration Stakeholders

<b>Shippers</b>
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- Operational savings
- Reduction of supply chains assets
- Committed capacity
- Risk pooling

## 3PLs

- Increased assets utilization
- Predictable efficiencies

#### **Customers**

- Improved customer service
- Visibility in inbound

#### Environment

- Reduced road congestion
- Optimization of available landplots
- Reduction of the CO2 footprint







April 22, 2010 Dusseldorf, Germany Summary & conclusions





- If chemicals wants to bring their logistics costs to reach average industry standards on the <u>short-term</u> it should focus on..
  - .. <u>consolidation</u> and regionalization of warehouses
  - .. operate <u>multiple, differentiated</u> supply chains structures

- Chemicals can break the <u>mid-term</u> barriers of stabilized logistics cost by ..
  - .. external collaboration by <u>grouping transport flows</u> (mainly outbound deliveries)
  - ... developing full <u>collaborating supply chain planning strategies</u> with supplier, competitors & clients







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Groenewout is an international, independent consulting company providing integrated value-added advisory and support services across all industry sectors to support our clients in achieving business process and operational improvements within supply chains and logistics.



Supply Chains & Logistics Consulting				
Strategical	<ul> <li>Feasibility studies</li> <li>Warehouse tendering for building, logistics equipment &amp; IT</li> </ul>	<ul> <li>Distribution Network Studies</li> <li>Global sourcing</li> <li>Non Product Related Purchasing (NPR)</li> </ul>	<ul> <li>Organizational - &amp; functional design</li> <li>Business process (re-)design</li> <li>Key Performance Indicators (KPI's)</li> </ul>	
Tactical	<ul> <li>Warehouse (lay-out) design</li> <li>Plant (lay-out) design</li> <li>Lean warehousing</li> <li>Insourcing / out- sourcing warehousing</li> </ul>	<ul> <li>Transport tendering</li> <li>Service Level Agreements (SLA)</li> <li>Insourcing / out- sourcing transport</li> <li>Benchmarks</li> </ul>	<ul> <li>Sales &amp; Operations Planning (S&amp;OP)</li> <li>Production planning</li> <li>Collaborative Planning, Forecasting &amp; Replenishment</li> </ul>	
Operational	<ul> <li>Loss Prevention &amp; Security (LP&amp;S)</li> <li>Facilities electrical, HVAC &amp; temperature engineering</li> </ul>	<ul> <li>Location studies &amp; site selections</li> </ul>	<ul> <li>IS selection &amp; implementation (WMS/TMS/APS)</li> <li>Inventory Mgt.</li> </ul>	
	Materials Mgt.	Physical Distribution	Supply Chains Mgt.	









