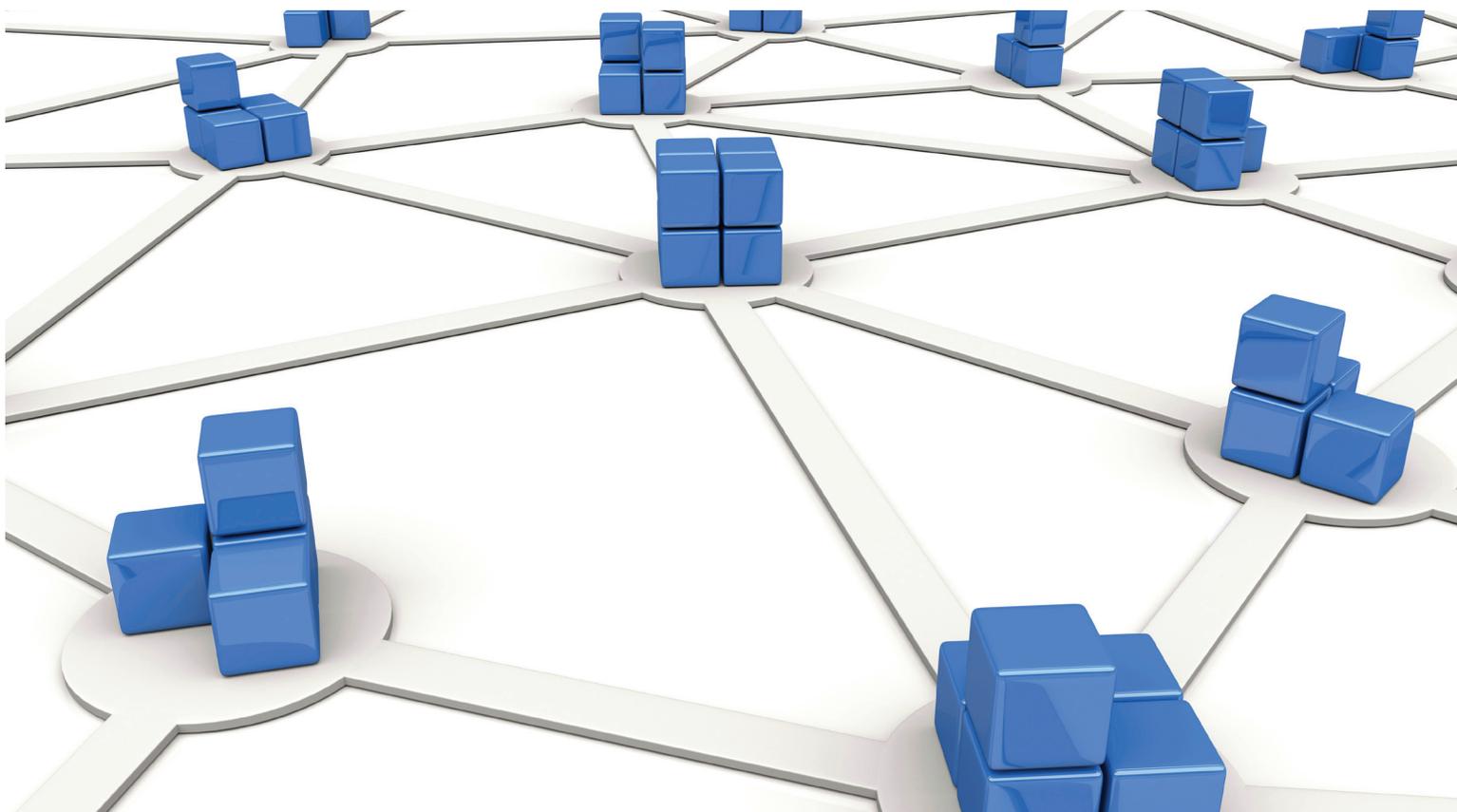


FORTNA

Thought Leadership Series

e-Commerce Shift Requires New Network Strategy



e-Commerce Shift Requires New Network Strategy

Disruption has caused a significant shift in volume from bricks and mortar to eCommerce, rapidly accelerating the trendline with 10 years' growth in just three months¹. The shift merits a reexamination of your network strategy for inefficiencies and places where you can alleviate capacity constraints that would hinder business continuity and/or continued growth. Now is the time for companies to quickly assess store and distribution nodes for cost savings and efficiency. Take a moment to answer the following questions:

- Have your service requirements changed?
- Are your distribution nodes in the right places to minimize transportation costs and delivery times to customers?
- Do you need different types of distribution nodes to service click and collect orders profitably?
- Has your overall footprint changed?
- Do you need to validate your roadmap is still on target and the timing is still accurate?
- Are you looking for opportunities for zone-skipping to increase speed and save on costs?

If you answered yes to any of these questions, FORTNA can help.

¹ <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/five-fifty-the-quickening>

Network Strategy Aligned to the New Normal

Your existing network roadmap was based on a set of assumptions that may have changed significantly since it was created. Are you certain that the sequence and timing of investments reflect your current and future projected situation and allow you to easily expand and contract with changes in demand? Walmart’s Director of Supply Chain Design and Innovation, Josh Buchanan, recently announced the company would be “accelerating how often and how fast” it does supply chain modeling and network design.

“We’re looking at scenarios that we never contemplated before. We’re doing a lot of worst-case scenarios about turning off different nodes if they’re impacted, and how we’d react to that.”²

Josh Buchanan

Director of Supply Chain Design and Innovation, Walmart

Recent disruption is causing many companies to reexamine their overall footprint. Are you operating in fewer locations, looking to change the way you parse volume between existing network nodes or considering node consolidation for greater efficiency? What happens when a node becomes unavailable for a period of time, as in, closed for deep sanitizing due to COVID outbreak? Where do you have the capacity to shift volume, and what are the impacts to service and cost? What you need is a tool that, using sales data and projected growth, allows you to explore options and “what- if” scenarios to quickly identify ways to reconfigure your network for greatest profitability, while balancing cost and service alternatives. The FORTNA eCom Network Strategy Tool makes it possible to project and contrast different scenarios and explore alternatives for business continuity either as a part of a complete network refresh or a targeted eCom strategy assessment.

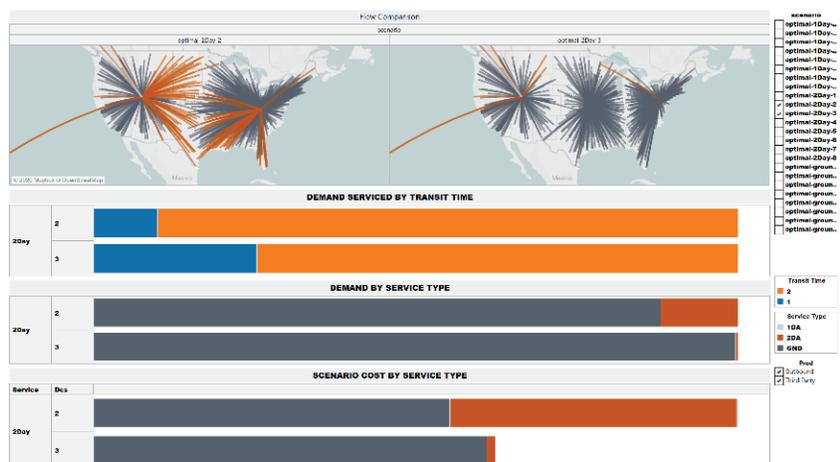


Figure 1: Comparison of two DC network and three DC network with two-day service requirement

² <https://progressivegrocer.com/supply-chains-pandemic-playbook>

Optimizing Network Strategy for Profitability

eCommerce customers expect fast delivery, free shipping, and easy returns with quick refunds or credits. The business needs to deliver on its promises – whether that is two-day, next day or same day – at the lowest possible cost. As requirements change, transportation costs may increase unless you re-evaluate your network strategy to ensure it is optimized for lowest cost service. Do you have the correct number of distribution nodes and are they located in the right places? Are capacity constraints in your existing facilities driving you to incur additional transportation and operational costs to fulfill orders from other nodes?

Customers expect seamless integration between the eCom and bricks and mortar experience. Companies are adapting by deploying micro-fulfillment strategies that leverage automation to improve speed and accuracy of fulfillment and delivery.

As more volume is processed online, different types of service nodes may be required to service click and collect orders and handle growing eCommerce volume. Customers expect seamless integration between the eCom and bricks and mortar experience. Companies are adapting by deploying micro-fulfillment strategies that leverage automation to improve speed and accuracy of fulfillment and delivery. Is a micro-fulfillment strategy right for you? Can you convert some of your existing store footprint to a dark store environment or make use of small industrial spaces in urban centers and take advantage of high-density automation solutions to reduce transportation distance and time to your customers?



Figure 2: Comparison of next day vs. two-day service level requirements for a four DC network. Toggling between scenario options provides quick answers to “what-if” questions.



The FORTNA Ecom Network Strategy Tool

The FORTNA eCom Network Strategy Tool provides quick answers to your network strategy questions, helping you balance cost vs. service alternatives. It can be used to explore ways to:

- Alleviate capacity issues
- Evaluate different service/cost options
- Assess risk and experiment with “what-if” risk management scenarios
- Validate roadmap/sequence/timing

The tool is designed for collaborative discussions of “what-if” scenarios with clients. Using demand data provided by you, we will create visual network models with recommendations for location and allow you to see the trade-offs of different service levels and transportation costs. Enabling you to toggle between scenarios to experiment with “what-if” analysis on-the-fly and quickly reveals answers that support site selection decision-making. FORTNA recognizes time as a leader's most valuable commodity. That is why we designed the FORTNA eCom Network Strategy Tool to provide actionable insights in under 3 weeks. The visualization tools make the collaboration effortless for your team. And the cost is less than half that of a traditional network strategy engagement.

Summary

Business continuity depends on having the flexibility to pivot on disruption as customers adjust to a new normal. Business leaders looking for ways to create additional capacity for eCom volume, before future growth is stifled, should start by examining the existing network. There are tools that can help quickly test different scenarios and provide answers to their questions for better decision-making.

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FORTNA CAN HELP

Whether you are looking to reduce order to deliver cycle time, reduce transportation cost, enable new capabilities for omnichannel customers, or simply validate that your current plan is on target to handle an accelerated shift to eCom, FORTNA can help.

Contact us today at www.FORTNA.com