

Thought Leadership Series

# 8 Distribution Network Business Case Questions to Ask



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With changing market demands, disruptions and labor shortages, being a supply chain leader can come with new challenges for current and future operations. Multiple supply chain reports and surveys indicate that e-Commerce will continue its double-digit, year-over-year growth and that customer demands and delivery expectations will not return to pre-pandemic levels. With rising demand and service expectations, distribution networks can no longer be viewed as a cost of doing business; they must transform into an organization's competitive advantage.

Asking and examining the right questions while building a distribution network business case can assist an organization in revealing obstacles and opportunities, as well as costs and benefits. In this FORTNA Insight, we will review the eight questions to ask when building a business case for a new or expanded distribution network.



## What are the Channel Service Requirements?

Using historical and forecast metrics to create key service requirements, the new distribution network must be able to satisfy the demands of each channel of an organization now and into the future. Defining these metrics is a foundational process that must align stakeholders, impact growth goals, improve profitability and make distribution operations a clear advantage.

Using industry data scientists paired with science-backed tools and algorithms can significantly aid this process and allow a deep dive into an operation's data that can prove long-standing assumptions and dispel other operational beliefs.

This step is critical as it will be the starting line for process optimization, automation and growth.

## Where to Build an Optimized Distribution Network?

Using the channel service requirements, the organization must decide where the optimum distribution centers (DCs) would be located, how many locations are needed in the network and the types of facilities. Some network considerations can include the following:

- Brownfield vs. Greenfield
- Buy vs. lease
- In-house distribution vs. 3PL
- Environmental and hazardous material needs



Economic development opportunities, labor availability and customer clusters are other considerations for building a financially justified and data-backed plan. Partnering with a supply chain organization with experience in building complex networks that not only meet an operation's service requirements but also have the built-in flexibility to respond to future disruptions is vital.

When scoping a network location strategy, consider the following:

- M&A activities, growth projections and the cost of doing nothing
- Current and proposed network geographies, channels and available transportation modes
- Future state requirements and regulations
- Modeling multiple network scenarios using data, timeframe and known obstacles
- Available and needed resources

## How to Deploy Inventory Across the Network?

Finding the right balance of inventory cost, service and availability can be fundamental to meeting customer expectations. Managing the correct promotional, high-volume and seasonal SKU levels across all DCs requires data orchestration and oversight. With SKU proliferation continuing to grow, optimizing replenishment and picking processes can dramatically increase productivity and order fulfillment as well as maximize labor.

In-depth analysis of product characteristics, turn times and product grouping opportunities can help drive inventory decisions, including:

- Racking requirements
- High-density storage options
- Picking methodologies
- Goods-to-person options
- Slotting optimization
- Replenishment rates



## How to Measure Expectations and Performance from Each Warehouse?

Warehouse management is where many operations can be seen as successes or failures. Warehouses have varying needs and modes of operations; however, most mid- to large-sized DCs will need to monitor and integrate the following:

- **An enterprise resource planning (ERP) system** that can seamlessly integrate into a warehouse management system (WMS) or warehouse execution system (WES). These two software programs must work seamlessly to provide real-time data and visibility across the entire network while managing day-to-day operations.
- **Labor management** – Shortages in general and skilled labor in particular will continue to challenge organizations, and creating a strategy to address labor acquisition and retention is crucial. Leveraging automation and implementing optimized processes and practices can reduce an operation's need for labor while helping retain its current workforce.
- **Capacity utilization** – By analyzing the data across a distribution network, an organization can reveal lost and underutilized capacity and make corrective adjustments.



## How to Manage Transportation, Carrier and Shipping Costs?

From cross-docking to courier rate shopping and managing LTL freight shipments, there may not be a more significant cost center that can be optimized with the right tools. While a transportation management system (TMS) can help manage the overall shipping process (label creation, tracking information, and carrier selection and rates), there are other factors to consider.

- **Shipping cost control** – By effectively managing inventory and product characteristics (dimension, weight and volume), the appropriate box and filling can be selected to reduce the overall cost of shipping materials and rates.
- **Automating shipping process** – Automating repetitive actions such as box closing, taping, and shipping label print and apply can speed up the shipping process and reduce labor needs.

## How to Best Support Organizational and Change Management?

Organizational infrastructure and change management can be just as important to the success of any project. Securing executive leadership support and communicating with the organization can produce positive and substantial results. Change is always challenging, especially if the new processes are based on unfamiliar technology and a new way of doing tasks that have historically been done differently. Recognizing and planning for education and training and anticipating resistance can make the transition easier.

## What is the Necessary Enabling Technology Needed for Execution and Visibility?

Real-time data and operational network visibility have been a goal of most organizations as they collect business intelligence from the business side and warehouse floor to make adjustments and decisions. Building a design that utilizes technology to provide easily interpreted dashboards and data that can simplify and support decisions can make communicating across the network easier.

Not all technology will come from one source; engaging with a supply chain partner who can build the right operational design for your network is important. Understanding an operation's labor optimization, inventory and capacity needs, and throughput demands can drive the appropriate technology needed. A unique data-driven approach can lead to a solution that drives growth, flexibility and profitability.



## What are the Core Financial Implications of Creating a New Distribution Network?

Building a network distribution business case takes a holistic view of a distribution network and identifies the opportunities for growth and improvement in costs, taxes and asset utilization. It is also important to realize the expense and resources required to create and expand the distribution network.

Partnering with a team of supply chain experts to help you through a clear and defined process can help you transform your operations.

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# FORTNA

## FORTNA CAN HELP

When supply chain disruption is the norm and customer demands are multiplying by the minute, you need a partner to deliver cutting-edge technology and innovative thinking to predict your needs before they become issues. FORTNA leverages automation, software and robotics to enable companies to outpace the demands of tomorrow. We are an end-to-end design-build firm, designing and delivering data-driven solutions to ensure process improvements, growth and, ultimately, profitability.

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