

Thought Leadership Series

Nine Future State Supply Chain Requirements



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Developing a network distribution strategy that is flexible, resilient and responsive is critical for e-Commerce growth and profitability.

In this FORTNA Insight, discover more about the nine key supply chain requirements to consider as you design your distribution network's future state.

Growth Profile Requirements

Business opportunities and growth projections are key factors in any plan. Understanding how business channels and business unit performance can affect distribution effectiveness and efficiency can guide a business toward creating an appropriate and accurate profile. Factors that can drive a growth profile include:

- Current distribution network performance
- Market and consumer trends
- Geographic and customer footprint
- Product-based opportunities
- Mergers and acquisition plans



Recognizing growth opportunities through internal and external data can help build the growth requirements for a distribution network.

Customer Requirements

Any distribution network plan should be customer-centric at its core. Distribution processes ensure that the ordered product is available and delivered in the expected timeframe with 100 percent accuracy. In addition to customer expectations around delivery and returns, many reports and surveys have found that customers are becoming increasingly concerned that businesses they buy from offer sustainable packaging and products and are not associated with unethical sourcing practices. Visibility into third-party vendor practices will become an important aspect of any distribution network.

Estimating what future customer expectations will be (free shipping, free returns, next-day shipping) will allow for creating customer requirements that can meet business goals.



Order Fulfillment Requirements

Before discussing automation, robotics or fulfillment practices in a distribution center (DC), establishing order fulfillment requirements is essential. Knowing a company's picking and shipping metrics, throughput rates and capacity is necessary to analyze in order to set and defend this business requirement. Key performance indicators (KPIs) like order cycle time, picking accuracy, lines picked, cost per order and shipping expectations can drive automation and facility needs.

Inventory Requirements

Business unit and channel inventory activity, as well as understanding product mix, SKU proliferation, product characteristics and conveyability, can drive business requirements for storage, receiving and automation. Inventory velocity, turn times and capacity can be used to understand racking, vehicle and conveying needs and help build a future state.

Understanding the requirement upfront can be beneficial as it can lead to utilizing automation such as high-density storage, automated storage and retrieval, and goods-to-person stations. Analyzing product characteristics and packaging can lead an organization to a new method of inventory management.

Quality Requirements

Focusing on requirements that ensure high-quality output can lead to considerable gains in efficiency and productivity and transform the distribution network into an organization's competitive advantage. Reducing the number of shipments per order, picking error rates and overall shipping materials used can all be KPIs to consider.

Concentrating on quality requirements can not only lead to higher levels of customer satisfaction, but it can also lead to better communication with workers on daily goals, keeping them in tune with operational KPIs.

Systems Requirements

For many operations moving toward a future state, unstable or incompatible data networks can be an obstacle. Whether moving the business to one platform or connecting data flows between systems, recognizing the need for business visibility and real-time data is a must. Future state distribution operations must be able to scale and provide visibility across the entire network, not just one DC. Requirements for software that can automate processes and equipment, manage inventory, and integrate into other systems are key to an operation's future state.

New Capabilities Requirements

Future offerings or expanding services can lead to new capabilities that will also need to be considered. Utilizing alternative distribution channels to engage customers, such as buy online, pick up in-store (BOPIS), ship from store, and buy online, return in-store (BORIS) are all options that can be envisioned while building future state requirements.



Cost Requirements

Ultimately, any business requirement for a distribution network should strive to achieve one key point: to lower total supply chain costs. Building a strategy to effectively lower costs and expenses through operational design, automation and labor-friendly processes can meet or exceed requirements tied to return on investment, overall cost per order and throughput rates.

Business Core Requirements

No matter the automation and processes a new distribution network can deliver, there will always be core requirements that are unique to a business. Specifically, there can be some processes or practices that need to be protected. Creating a requirement that defines these traditional practices or procedures will ensure they won't get lost in the transformation.

Before partnering with a supply chain company, business requirements need to be established and confirmed throughout the organization. Understanding these requirements can drive the business case and, ultimately, the distribution network strategy and plan.

FORTNA

FORTNA CAN HELP

Business requirements are the first step to building an optimized, flexible distribution network ready for growth. Partnering with FORTNA data scientists and supply chain experts and using their proven methodology for establishing business requirements can result in a distribution network business case that is justified and implementable.

Contact us today at www.FORTNA.com