



PROMAT

2015

McCormick Place South | Chicago
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Designing the Ideal Supply Chain Network for the Future

Presented by:

**Nick Banich – Business Development
Manager for Miebach**

**Jason Brewer – Managing Director of
Strategic Alliances for LLamasoft**

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Supply Chain By Design

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FIND WHAT'S NEXT.

Complexity, Volatility, Change, and Competitive Advantage - the New Normal




External Factors Impacting the Supply Chain


-  Greater Customer Demands
-  Competition Positioning and Evolution
-  Transportation Cost and Availability
-  Tax and Duty Changes (Especially International)
-  Raw Material Availability and Cost Fluctuations
-  Greater Focus and Opportunity in Emerging Markets
-  Political Upheaval
-  Labor Laws and Agreements
-  Weather Disruptions

Internal Factors Impacting the Supply Chain


 SKU Proliferation


 Shortened Product Lifecycles


 Evolving Business Channels
(Growth of Ecommerce,
Desire for Omni-channel)

 Procurement Changes
(On/Off Shoring, Order Qty.)

 Aging Infrastructure

 Fulfillment Strategy or
Inventory Deployment
Initiatives

 Change in Other Business
Strategy

 Mergers and Acquisitions

 Spinoffs

With all this Complexity, Volatility, and Change – Comes More Questions to Answer

Network Structure

- Location and Number of Facilities
- Additional Capacity Needs
- Consolidation
- Merger and Acquisitions
- Distribution Capacity

Transportation

- Rout and Asset Optimization
- Mode Analysis
- Backhauls
- Frequency

Service & Performance Metrics

- Redundancy
- Service Levels
- Synergies

Product Demand

- Segmentation
- Channel Strategy

Product Flow

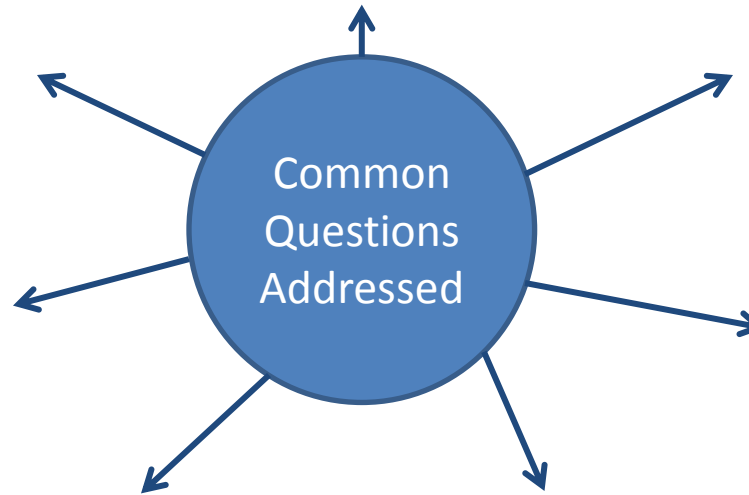
- Fulfillment Strategy
- Cost to Serve
- Ports of Entry
- Cross Dicking
- Customer Allocation

Production Footprint

- Mix
- Scheduling
- Location
- Insource / Outsource
- Capacity

Inventory

- Inventory Levels
- Inventory Deployment Strategy



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How Are Market Leaders Responding?



Supply Chain Design is Becoming a Much Needed Capability to Keep Up with the Pace of Change and Sustain a Competitive Advantage

Whole Industry of Services and Tools Have Developed in Order to Help Companies with Supply Chain Design, Transformation, and Optimization



Modern Supply Chains Need a Modern Approach and Platform to Network Optimization

Key Aspects to the Approach and Methodology

- Understanding “Good Assumptions” for Missing Data
- Extrapolation of Future Business Requirements into Tangible Supply Chain Requirements
- Aggregation at the Correct Level Given the Objectives (Strategic vs. Tactical)
- Intelligent Scenario Development
- Defining the Correct Constraints
- Clustering and Segmenting
- Realistic Roadmap to Implement

Key Functionality to the Tool

- Visualization
- Scenario Management
- Data Management
- Quick Drilldown of Results
- Advanced Mapping
- Geocoding
- Geographical Outputs
- Simulation and What If Analysis
- Ability to be Utilized Across the Enterprise

Project Example: Multi-Channel, Multi-Tier Americas Supply Chain Design for Leading FMCG Company



Scope:

- Develop Ideal Supply Chain for Americas Across Multiple Channels
- Determine Location of New Plant
- Locate and Design New Distribution Nodes

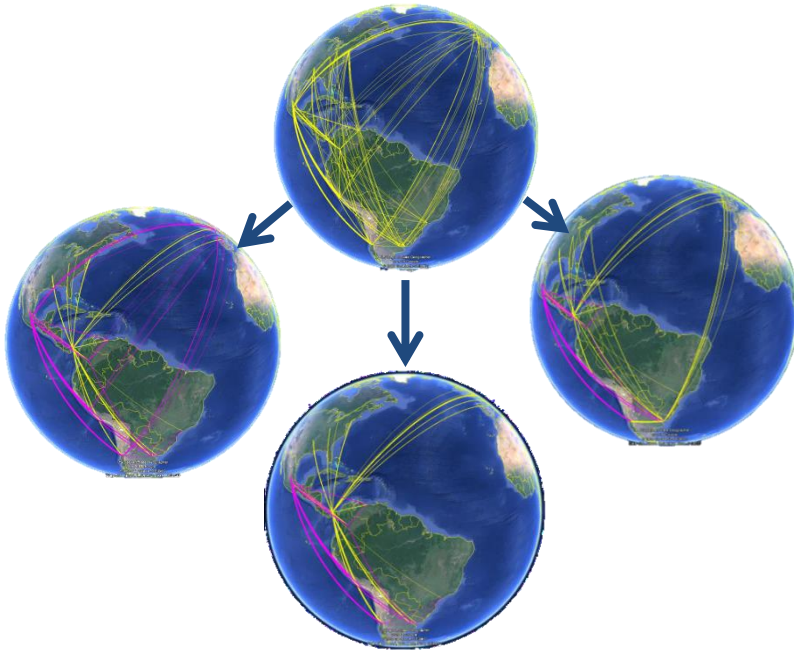
Project Example: Multi-Channel, Multi-Tier Americas Supply Chain Design for Leading FMCG Company

Discover the Requirements

Develop Alternatives

Build the Scenarios

Finalize the Business Case



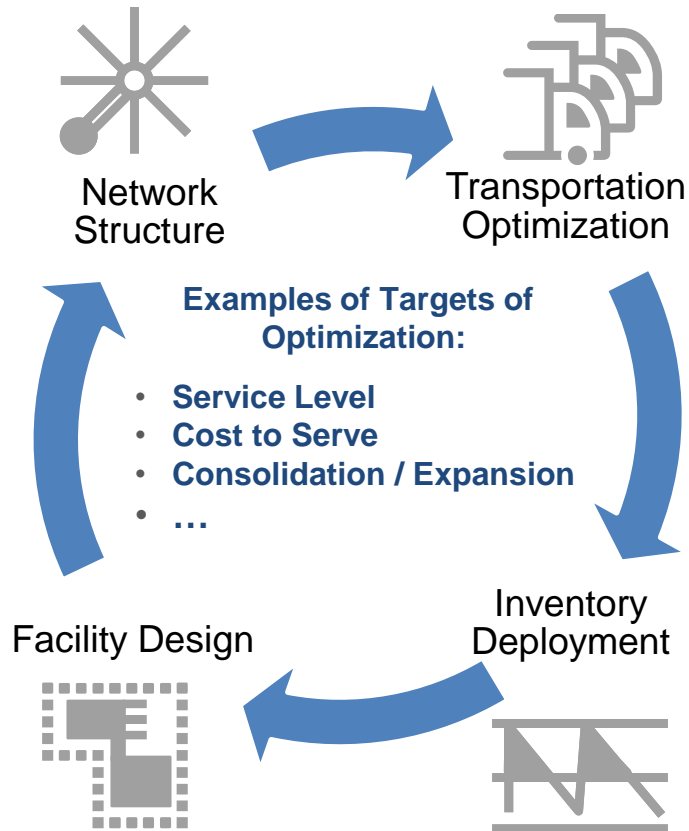
Challenges:

- Amount of Data from Different Countries and Divisions
- Clustering for Fulfillment and Inventory Deployment Strategies
- Preselecting Viable Scenarios
- Understanding Current vs. Future FTAs and Politics

Results:

- Transport Costs Avoidance: \$2 Mil.
- Inventory Avoidance: \$5 Mil.
- Operational Avoidance: \$2 Mil.
- Improved Service Levels

Integrated Approach Ensures Network Studies are More than “Greenfield” Analysis



- Often basic approach to network design is to conduct a “greenfield” analysis and use as the future network
- Often ignores both the current and future as well as potential design changes at each facility
- More mature supply chains have issues connecting reality to “greenfield” studies
- For high capital networks in mature markets – in depth facility reviews become even more important
- Must be based on actual budgets, timelines, risks, expectations, roadblocks, etc.



Key Takeaways

- Supply Chains are Faced with Mounting Internal and External Pressures
- Complexity of Designing a Supply Chain as a Competitive Advantage is Increasing with this Changing Pace
- Both the Methodology as Well as the Tools Used are Critical to Success
- Key Steps to Design your Future Supply Chain:
 - Determine Your Future Supply Chain Needs
 - Develop Alternatives How to Best Accomplish
 - Model the Scenarios
 - Finalize the Business Case for the Solution
- New Technologies Make it Easier than Ever to:
 - Visualize
 - Evaluate Scenarios
 - Conduct Sensitivity Tests
 - Simulate Future Network
- Tools are Only as Powerful as the Inputs and Those Driving the Analysis

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For More Information:

banich@miebach.com

317-426-9294

jason.brewer@llamasoft.com

734-474-9449

Or visit ProMat 2015 Booth 435