

# Logistics and Distribution



Logistics and Distribution is the physical movement component of the Supply Chain Management process. It essentially:

- Begins with delivery of raw materials to conversion sites
- Includes material handling management through the fulfillment process
- Delivers goods to the end customer
- Manages any returns back for repair or environmental processing

Historically, this process has involved a set of disconnected, discrete elements using a variety of providers. As competition increases and enterprises become more customer focused, Logistics and Distribution must transform to solve problems through partnerships.

Supply Chain methods include powerful cost reduction tools. While strategic supply chain management focuses on long-term value creation by using an intense short-term analysis and action planning, these same methods will result in significant cost reduction and free-up cash.

Beginning with an overall Supply Chain strategy assessment, our Process Value Management methodology replaces the old functional silo concept with powerful process blocks. We tailor these into a program to meet our client’s unique needs in a boundless process view.

Thomas Group has proven over a course of nearly 30 years that process improvement methods driven systematically across the extended supply chains of our clients drive enormous improvements in profit, quality, and customer responsiveness.

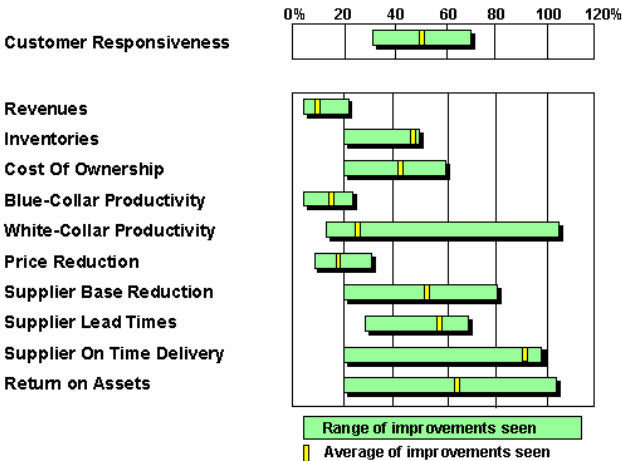
The Process Value Management methodology provides an effective platform to achieve cross-functional and cross-entity collaboration. It optimizes each step in the supply chain process in the context of the customer’s need and the competitive advantages of the enterprise.

## What is the Role of Technology in Supply Chain Management?

We work together with our clients on the technology of their choice, using Process Value Management to obtain optimal results. This ranges from ERP implementation and point-solution software selection to the selection and installation of hardware. The emphasis is always on using technology to manage world-class processes. Applying technology to bad processes results in automated bad processes.

At Thomas Group, we are committed to first getting the processes right, for only then can technology become an effective and collaborative tool.

### Supply Chain Process Improvement on Profitability Performance in over 300 Client Engagements



**Garment Industry**

We recently worked with one of Asia’s largest garment manufacturing groups with 25,000 staff at 19 factories in eight countries. A merger had created 28 sales teams, each controlling its own material sourcing, supplier base, and, effectively, its own factories. Suppliers were dealing with each team individually without any structure or process to optimize materials and logistics. Significant improvements were realized through partnering with suppliers and customers, consolidating warehouses, updating data and communications processes, and implementing selected focused software systems.



Supplier lead time	Material costs	Inventory holding	Order lead time
↘ 50%	↘ 8%	↘ 40%	↘ 38%

**Electrical Motors**

Our client is a leading manufacturer of micro-motors for automotive and consumer goods. It has 19,000 employees in 14 countries. The company was suffering from using traditional *production to forecast* methods with large amounts of raw material and finished goods inventory spread across warehouses in Asia, Europe, and the US.

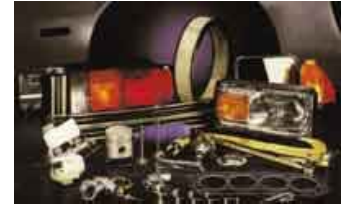


By using process improvement methodologies and focused barrier removal action teams, forecasting was replaced by a pull process. Plus, supplier and customer partnering resulted in Just-in-Time (JIT) discipline, the logistics chain was reduced in length by 80%, and the number of warehouses was cut by over 50%.

Supplier lead time	Material costs	Inventory holding	Order lead time
↘ 30%	↘ 6%	↘ 25%	↘ 40%
Supplier OTD		Inventory turns	
↗ 600%		↗ 200%	

**Automotive Parts and Accessories Distributor**

A significant segment for one of the largest OEMs in the world, this client had over 110,000 active parts in over 1.2 million square feet of space. Their major dilemma was poor customer satisfaction—service levels were in the low 80%, internal time to fulfill orders in their warehouses averaged 18 days, total time was 28 days, and on-time delivery was at 42%. As a result, inventory was overstocked. An underlying issue was a weak IT support structure.



With the help of state-of-the-art inventory tools, Thomas Group helped the client achieve dramatic improvements.

Order fulfill time	Inventory on hand	On time delivery	Service levels
↘ 93%	↘ \$14 M	↗ to 99%	↗ to 97%

**Electrical Hardware**

Our client is one of the largest producers of switches, connector boxes, lighting fixtures, and wiring chases for residential and commercial buildings in the world.



Selling through a vast network of independent distributors and depending on 3PLs, the company was experiencing large and increasing distribution and inventory costs. Major improvements were realized through strategic location of company warehouses, partnering with distributors, implementing a freight and shipping optimization process, and consolidating product lines. 

Material costs	Product lead time	Internal costs	Inventory holding
↘ >20%	↘ >60%	↘ 15%	↘ 69%