

Challenging "Sacred Cows" in High Volume, Low Margin IT Distribution

Our client faced some very real changes in its business and needed to devise a roadmap which would enable them to meet the challenges that lay ahead. Customer expectations were changing as new markets were opening and the traditional service model was being pushed to its limits. Competitive pressures meant that margins would stay low, so some innovative thinking was required to identify adaptations to the existing business model that would allow greater cost efficiency whilst continuing to satisfy customer needs.

The Client

- Global IT Distributor
- Turnover: approx. \$27 billion
- No. of employees: approx. 20,000

The Objective

- Identify options for change within Europe through the review of existing supply chain operations in 3 pilot countries in the light of likely future business trends.
- Identify an optimal distribution network configuration for the pilot region.

The Solution

- Realise a transition from a National Business Model to a Regional Business Model with a mix of country specific resources and shared resources.
- Perform an interim transition from 3 to 2 DC's.
- Increased Supply Chain Integration and in particular Integrated Planning Systems to provide greater control of cost and service effective end-to-end delivery.

The Client Benefit

- Annual savings of between \$3-5m (up to 10% of cost) achieved.
- Further potential savings from transition to a Regional Business Model identified.
- Substantial number of loss making orders identified.
- Opened up debate for a "differentiated" service model rather than the traditional "one size fits all".
- Identification of need for an Integrated Planning System linking customers, sales, purchasing and vendors.
- Clear need for true measures of On Time in Full (OTIF) performance identified.