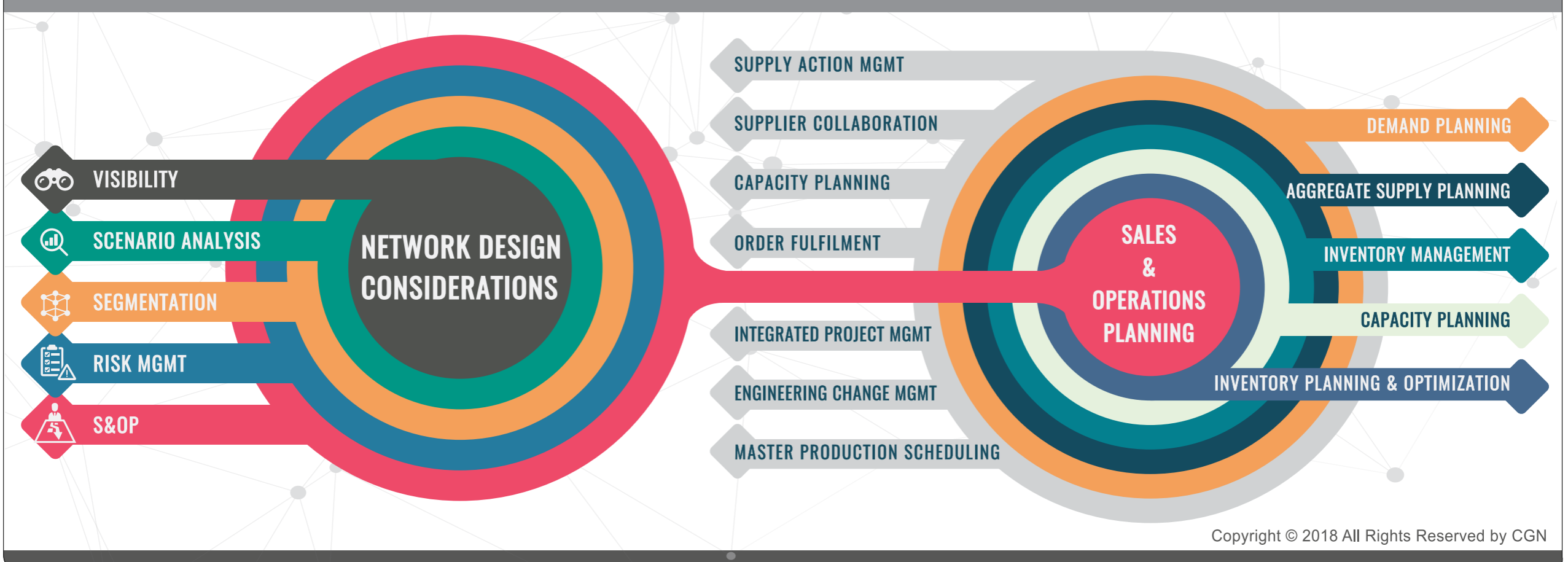


NETWORK DESIGN – THE UNSUNG HERO OF S&OP



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You have heard it a million times already, that companies doing supply chain analysis and optimization on a continuous basis have a distinct competitive advantage over others; and it is increasingly becoming difficult to argue against the point in today's world.

Everybody's knows that whenever a merger or an acquisition happens, or if there are major changes to the network, companies are supposed to relook, re-assess and re-align their networks.

But did you know that companies are now looking at network design to feed into their sales and operation planning (S&OP)!!!

WHAT DOES IT MEAN



Traditionally, your planning systems took care of all operating plans and laid emphasis on meeting plans versus action. However, most of these planning systems are very rigid and they lock in the existing network. Sure, they allow you to flex your supply, your demand and your capacity based on what you do today, but there are certain other things you want to consider in your S&OP process.

Questions like when is the right time to add more capacity, should I use one of the existing distribution centres as a consolidation centre, which nodes in my supply are most vulnerable, transport selection, shift in customer profile, etc.

The biggest change is that the network design process allows you to look at not just long term plans like the 3 year or 5 year plan, but actually allows you to look at tactical operational plans like S&OP. Companies are now increasingly taking their time horizons to be bi-annually, monthly and even weekly in the design review. And as companies start getting a real picture of where is their demand located, they can start taking decisions and alter the operating plan.

Everybody In The Organization Has Questions!



The operating manager, the CEO, the CFO. And most of them are very simple questions like:

- What is The Cost to Serve Each Product to Each Customer?
- From Whom Should I Source?
- Where Should I Stock?
- How Should I Flow The Product Through The Network?
- How Much Should I Be Buying From My Supplier And When?

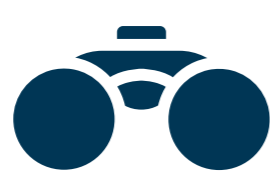
Please Don't Try and Boil The Ocean

What is important for the team is to find quick wins that are major improvements. Supply chain design makes your network visible to you. And just having visibility sometimes makes you ask basic questions like where is my demand coming from, what is the variability of demand in each location, how do I flow my product into these locations, how did I do it these past 2 years. The decision need not look at immediately making changes to the physical infrastructure, but can allow you to look at just the flow. Are we using the right port, should we use all DCs or can we use one DC as a consolidation point, should we source all products from 1-2 suppliers in a region and get a better price, and so on and so forth.

Most companies also make the mistake of assuming that network design is only a problem for large companies, and that is a very wrong assumption. Small or medium sized companies face pressures on cost all the time, relooking at their structure can, more often than not, unlock minimum 5-10% saving, which is a lot of money lying on the table.

Reference

http://www.scdigest.com/Kw_search.php?keywordKS=Network+design%2Foptimization&from=21



What We Found Interesting

“ Here is an interesting video ”

<https://www.youtube.com/watch?v=2aqokqOpe-k>

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md.india@cgnglobal.com
+91 80 4091 3833
india.cgnglobal.com

Regards
Alagu Balaraman