

## **SCA Technologies Saves the Logistics Provider just under \$25 Million**

### **Overview**

Our client, is a national distributor within the food service industry dedicated to making entire distribution systems operate more efficiently. It routes its customers' products from suppliers through numerous domestic hubs and ultimately, to Distribution Centers (DCs), which in turn, ship the items to retail sales points. They transport just under \$10 billion of products annually.

### **Supply Chain Characteristics**

The logistics design is comprised of hundreds of vendors with thousands of SKUs with differing demand levels. The SKUs are routed through a combination of 45 large and small distribution centers across the country. The routes are based on volume-driven ABC stratification, differing distribution and storage requirements, different manufacturing processes, variable product life cycles and varying lead times.

### **Challenge**

The challenge for our client was to manage distribution to minimize total supply chain costs while meeting customer service goals. The complete cost picture included the impact of inventory throughout the system (DCs, hubs and vendors), the administrative costs of order management at the vendor and DCs, and freight costs. The use of a hub reduces inventory while allowing the aggregation of items for different DCs. It also enables high volumes to move inbound and outbound through a hub from different vendors. In this operating environment, the economic promise of a multi-tier distribution design is very high. The challenge is to select the Item-DC choices that could be routed through the hub to reduce total logistics cost to enable realization of system optimums.

### About SCA

For over a decade, SCA Technologies has provided category sourcing and cost management solutions that help industry leaders maximize profits by better managing market, supply and demand volatility. Supply chain, procurement, finance and corporate social responsibility professionals use the unique cross-functional approach of the SCA Planner™ suite to make better decisions for billions in category spend each year. With our patented technology, customers can finally address the tough challenges of volatile commodity prices, extended supply chain networks and corporate social responsibility tradeoffs in a coordinated manner. Our innovative, cloud-based solutions deliver increased visibility and quicker response, leading to an average 3-5% reduction in the cost of goods sold on an annual basis. Learn more at [www.scatech.com](http://www.scatech.com)

### Key Benefits

SCA Planner™, SCA Technologies' software suite, provides a detailed Item-DC mode of shipment selection methodology for the best system cost performance. Each shipment lane is optimally assigned as a direct truckload shipment, LTL shipment or a through-hub shipment in order to optimize total inbound logistics costs. SCA Planner has the functionality to provide an integrated look at inbound distribution cost. These costs include vendor and DC inventory carrying cost, order management costs and transportation costs.

### Solution

The SCA Planner implementation was customized within 6 months to meet our client's unique supply chain needs. The easy-to-use tool helped to compute the ideal Item-DC list that reduced their total supply chain logistics costs by 6 percent. One of the most important features is the rapid recomputation of the item list based on demand change. Our client runs the model on a routine basis to select the right item list for the time period. SCA Planner further assists in the pricing decision for customers to standardize the "system optimum list", thus preventing cherry picking. The model's methodology has been validated and audited by various supply chain partners. Computational results are electronically available to the suppliers and the DCs. This enabled quick implementation of the right logistic process for different items.

### Results

Our client reduced their inbound logistics cost by 6%. This reduced the inbound logistics costs by just under \$25 million and helped them to avoid investing more than \$30 million in additional distribution storage facilities.