



So, You've Redesigned Your Supply Chain Network: What's Next?

Network Optimization Next Steps

So, you just finished a network project and the final presentation showcased some very large saving opportunities. The question now is how do you make them a reality?

If you're like most organizations the implementation of network design recommendations is managed by a separate team from the team involved with network optimization modeling work. At Spinnaker, because we both help clients complete supply chain network optimization studies and implement the results, we understand the challenges involved in turning a theoretical exercise into reality. The effort and time required to implement a network transformation is too often underappreciated and the benefits of having the modeling and implementation teams to work together is ignored. Better alignment between these groups leads to smoother transformation efforts and a much higher likelihood of achieving the desired business results.

Within Spinnaker, we have a dedicated supply chain design practice that models supply chains, analyzes scenarios, and helps clients formulate recommendations and business cases. Additionally, we have program managements and supply chain consultants who are experts at planning and executing the transition steps from your current network to the optimal one. Combining resources between them as necessary we can ensure that nothing gets lost in translation.

What follows is a high-level overview of best practices in our implementation process and recommended leading practices for how these teams should work together. Since we have gone through this process many times with a wide array of companies, we have time saving templates and benchmarks for performance that often are not available for companies doing it for the first time.

Step I: Developing a Transition Roadmap

Especially in companies that will be opening, closing, or moving many facilities, developing a clear roadmap for the timeline of when these activities will occur is a critical first step.

- **Model the Path to Get to the End State:** Network optimization studies typically focus on the final network configuration, but less on the timing of changes. A key topic of discussion between the modeling

team and implementation team is whether planned changes will occur all at once or in waves. The implementation team can typically provide business intelligence on how to organize a transition and the modeling team can support them by scenarios that analyze the benefits and costs at each step.

- **Define a Vendor Strategy:** Determining whether the facilities will be managed internally or by third parties is a critical decision. If the third-party option is chosen, considering whether legacy vendors or new vendors will be utilized and how many vendors should be leveraged to support the network.

Step 2: RFP Development to Contract Execution

Once the roadmap is defined, the next step to implement network optimization results is to select a vendor, typically through an RFP and contracting process. Key activities during this phase include:

- **RFP Process Management:** RFP design, business requirement development, vendor selection to bid, vendor presentation scope
- **Vendor Scorecard:** Scorecard development, response summary and recommendations
- **Risk Assessment:** Evaluation of incumbent sites/vendors to define roadmap and future state design
- **Site Selection Guidelines:** Inputs by site from vendor responses (dedicated, shared, current site presence, etc.), real estate lease guidelines, property use, facility layout
- **Transition Scheduled:** Integration and site turn up schedule along with close out schedule
- **Vendor Selection:** Vendor award notice, matrix of facility assignments, schedule coordination
- **Contract Definition and Negotiation:** Scope of work, assessment of terms, pricing, exit strategy (claw back, failure to serve, etc.)

Step 3: Transition Project Planning and Detailed Design

Having selected the vendor(s), the next step is to complete the detailed planning required to execute the transition. These activities span the physical, process, organizational, systems, and data infrastructure required to close and open new facilities.

- **Business process and systems design:** Especially in cases where new partners are engaged, ensuring that a clear set of process and system hand-offs are defined to support inventory and transaction management activities is critical
- **Transition schedule and guidelines for sourcing record updates:** A detailed plan for the timing of when to convert customers by product, facility, customer location and profile, and a mechanism to execute master data updates to support these changes is required. It can be useful to this exercise to refresh the network optimization model with updated demand and customer information to provide
- **Supply planning/inventory transfers:** Verify schedule of inventory movements, communications to partners (both shipping and receiving locations), adjustments to supply plan, historical demand transition plan
- **Communication plan for upcoming changes:** Procurement, Operations, Logistics, Transportation, Legal, Sales and Customer Service

- **Incumbent site shut down:** Set schedule, coordinate facility closure, verify outstanding work activities

Project Execution

The last step in implementing the results of a network design effort is project execution. This phase includes managing the physical changes in the network, integration of systems and inventory transition

- **Resource mobilization: Technology, logistics, procurement, vendor(s), etc.**
- **Test case definition and management:** Scenario definition and verification based on business processes and systems with coordination of data, resources and collection of test results to confirm performance
- **Business process implementation:** Transition business processes to achieve the future state with a structured testing and performance management process to monitor the cutover
- **Technical go-live and EDI integration:** Testing and cutover of the systems to be used in the new location
- **Project communication planning:** Coordination of communication plan, set cadence vendor/customer/internal notification schedule to cover communications, legal, customer service, logistics, transportation, procurement, and supply chain planning stakeholders

Conclusion



In conclusion, we would like to borrow a metaphor from Warren Buffett. Network optimization modeling is like the horsepower (HP) of a motor, and the implementation is the output. On the one hand, a 200 HP motor could be inefficient and produce only 50 HP output and the rest goes to waste. On the other hand, another motor with only 100 HP could be very efficient and produce total 100 HP output. The only metric that really matters is the output.

Through each of phase the process, Spinnaker helps clients squeeze every HP of output from your optimization study and help you translate it to the real dollars for your business. Whether you're working with Spinnaker for your network optimization study, your implementation of the recommendations, or both, we recommend a structured, disciplined process to turn your modeling output into business output.

We hope you found this information to be helpful. To access more Spinnaker thought leadership [click here](#) or to learn more about our services [click here](#).

About Spinnaker:

Spinnaker is a supply chain services company that helps clients grow, manage risk, reduce costs, and improve customer service by developing world-class supply chain capabilities. Our services help clients develop the right supply chain strategy for their business challenges and implement the process and technology solutions to improve Demand/Supply Planning, Procurement and Sourcing, Logistics and Warehousing, and Reverse Logistics business performance. Spinnaker offers a unique service delivery model that combines the strength of deeply experienced management and technology consultants with a seasoned team of business process outsourcing (BPO) and 3rd-party logistics (3PL) professionals. Founded in 2002, Spinnaker has offices in Boston, Columbus, Denver, Houston, Memphis, Pittsburgh, London, and Singapore.

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