

Spinnaker Drives Supply Chain Optimization for Chemicals Distributor

Highlights



- Defined network design processes to be enabled by an appropriate optimization system
- Delivered a comprehensive RFP that completely quantified the network optimization software selection process
- Implemented the selected software, training the members of the client's supply chain analysis team and mentoring them as an internal center of competence in supply chain optimization
- Developed and deployed a comprehensive supply chain model that includes historical baselines, regional and national network rationalization, merger and acquisition integration, and alternative supply chain structures
- Created innovative inventory optimization and customer/product segmentation approaches that help the client reduce inventory costs and provide better customer service

The Challenge: For a leading U.S. chemicals distributor, targeted growth and aggressive expansion into new markets had resulted in a global network of more than 110,000 SKUs, 2,500 producers, 179 distribution facilities and over 80,000 customers in more than 100 countries.

Serving a diverse customer base in a highly fragmented market requires the company to manage a complex global supply network of vendors, terminals, branches and customers. In this environment, the ability to deliver the highest levels of product availability and order responsiveness depends on having the right supply chain processes and technology in place. But the supply network that had grown organically was beginning to suffer from excess capacity and poor inventory turnover.

Challenged with developing a holistic supply chain strategy to address current issues and take the company into the future, the client initiated a program to develop a competency in network design, modeling and optimization core within the organization.

The Approach: As the chemicals distributor prepared to create a centralized supply chain optimization team, company management recognized that redesigning and optimizing the supply network required a unique expertise that was lacking internally. That's when the company engaged Spinnaker to help its team define best-in-class modeling and analytical processes, and find the right

technology to enable better decision making across the supply chain. With input from the company's materials management, operations, information technology and finance groups, Spinnaker was able to quickly help the client assess current capabilities, establish aggressive improvement goals, and develop a roadmap to get there. The chemicals distributor engaged Spinnaker to lead a project to implement network optimization software, complete initial analysis of the network, and guide the development of an internal center of competence in supply chain optimization.

The Solution: While working in close collaboration with the client's internal team to develop the company's future-state supply chain analysis and network optimization, the Spinnaker team initiated the sourcing and selection of the network optimization system. In the first 60 days, the combined team:

- Evaluated the current state of the client's optimization processes
- Defined business, functional and technical requirements for the planning solution
- Conceived and executed a software vendor evaluation and selection process
- Assisted in negotiating and executing the software license agreement

The new strategic supply chain optimization system supports both long-term strategic planning and short-term operations improvement efforts.

Once the new system was live, Spinnaker led the design and implementation of a comprehensive model of the client's U.S. supply chain. This model includes 2,500 vendors, 300 inventory stocking locations and more than 900 customers. Taking a holistic approach to supply chain optimization, the model balances fixed and variable facility operating expenses, inbound and outbound transportation, and multiple transportation modes, including rail, tank truck, dry van and private fleet.

The Results: Spinnaker's skilled resources, supply chain market intelligence, proven methodology and templates, and the know-how and ability to quickly translate strategic objectives into feasible solutions helped ensure successful completion of the project. The chemicals distributor is using its supply chain model to develop a multi-year strategy for rationalizing its U.S. supply chain, and to support the merger and integration of a recently acquired company. Improvements in supply chain operations are expected to contribute to cost reductions exceeding \$100 million annually.

"Prior to engaging with Spinnaker, our supply chain scenario analysis was often less efficient since it required manual processing. After going live with LLamasoft Supply Chain Guru®, we can evaluate multiple 'what-if scenarios', with the average scenario taking less than two days to model and analyze." - Director of Supply Chain Management for Leading U.S. Chemicals Distributor

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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