

What is the verdict?

In order to develop a sound logistics strategy, it is essential to answer these critical questions about your business. An effective logistics operating system must start with an understanding of corporate plans and strategy and must be considered as a part of a dynamic business unit that interacts with manufacturing, sales, marketing, and finance.

Logistics must function in concert with and complement overall business strategy. In another sense, logistics should "wrap around" manufacturing and marketing as the core, if this function is to effectively support the business.

The benefit of this approach was borne out in a recent study of a consumer product company following completion of an acquisition that dramatically expanded its business. The acquired company had a quality line of well established products that moved through third-party distribution facilities scattered throughout the United States. The product was transported to market via various brackets of LTL. The acquiring company produced private labeled products, shipping to identical stores and markets from fewer selected distribution centers in primarily truckload quantities. By carefully analyzing the obvious questions of distribution network configurations, the company was able to substantially reduce its total costs by combining products for distribution through selected distribution points, while maintaining independence through others. The result not only reduced total logistics costs, but increased leverage and provided a greater ability for competitive pricing of the newly acquired business and products.

The question of logistics strategy must be answered as we plan to meet the challenge of the 2000s.

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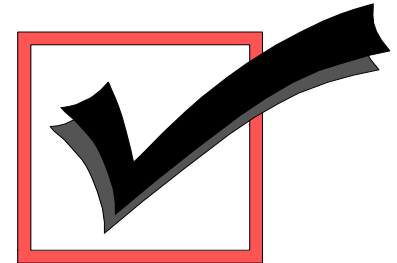
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Meeting The Challenge of The 2000s

A LOGISTICS STRATEGY CHECKLIST



Have you analyzed your logistics function as a key component of business strategy?

Too often today, logistics executives are caught in a web of having to respond to daily operating problems, sales and marketing promotions, and customer service issues, resulting in "brush-fire management." Although you have heard this before, it might be the appropriate time to review the logistics functions of your business in terms of their overall impact and interaction with other business functions.

Do they respond directly to the present and future needs of the business?

Do they help support the primary mission of the business?

Do they provide the most cost and service effective support to move products through the business to customers?

If you have not addressed these questions recently, it may be right time to give them some thought. In addition, if you are a typical business manager, you are probably very familiar with the corporate budgeting process. What key assumptions were built into your annual budget and operating plans? Typically, some of these assumptions include:

- Labor rate increases
- Transportation rate increases
- Volume increases based on forecasted sales

But have you given thought to:

- Product promotion and timing?
- New product introduction?
- Customer changing demands?
- Market and geographic demand changes?
- Shifts in product mix and sourcing?

Your budgets and operating plans could dramatically change based on answers to these types of questions. The following is a checklist of key questions related to logistics strategy. The list is not meant to be all encompassing, but should help focus your thought process on what your logistics activities should be doing to support your business. Take a moment to determine whether these questions have been considered in your planning process. If they have not, you should take the time to seek out the right answers.

To analyze your business, answer the following Key

Logistics Strategy Questions.....

Circle the appropriate number next to the question.

COMPANY MARKETS

1) Has your company recently opened (or closed) new market areas generating need for additional logistics and customer service capability?

2) Has there been a shift in the shipments to the types of customers within your company? (wholesalers, distributors, retailers, etc.)

COMPANY PRODUCTS

3) Have there been additions and/or deletions to your company's product lines?

4) Has a recent ABC analysis produced a difference in major and minor volume products?

CUSTOMER SERVICE

5) Has a survey of representative customers indicated service problems?

6) Has the customer service complaint level increased recently?

7) Have there been any changes in EDP systems or order processing which have resulted in modifications to order cycle times?

8) Have other system changes altered inventory reporting, resulting in increased stock outs?

LOGISTICS OPERATIONS

9) Have first or third-party distribution operating factors such as labor or facility costs caused changes in location and/or operations?

10) Has purchasing, engineering, or marketing made changes to type, quality, pack, unit, or size of product packaging?

Significant
Moderate
Somewhat
Not Applicable

6	4	2	0
9	6	3	0
6	4	2	0
4	3	2	0
4	3	2	0
4	3	2	0
6	4	2	0
6	4	2	0
6	4	2	0
6	4	2	0

11) Has marketing or sales altered the characteristics (size, cycle, timing, etc.) of product promotions?

12) Have you reached capacity in terms of volume or inventory of existing distribution facilities?

13) Are customers requiring more product customization?

TRANSPORTATION OPERATIONS

14) Has the profile of product shipments changed in terms of TL, LTL, UPS, etc.?

15) Does the company move inbound and outbound products across common shipping lanes?

PRODUCT OPERATIONS

16) Has the company changed or introduced new production source points for products?

17) Has product capacity been changed at existing production locations?

18) Do frequent changes occur in production schedules and between product source points?

OTHER

19) Have distribution and transportation costs increased as a percent of sales?

20) Have there been internal structural changes within the company resulting in integration or segregation of primary business operating units?

TOTAL POINTS

If your total points are:

* Less than 40 - you have outlined minor issues which should be addressed as a part of your overall annual planning process

* Between 40 and 70 - you should prioritize these issues and structure an analysis effort to resolve them as a part of a specific plan

* Over 70 - you should conduct a strategy study to redirect the logistics functions to more closely correlate to the business strategy of the company.

6	4	2	0
9	6	3	0
6	4	2	0
6	4	2	0
9	6	3	0
6	4	2	0
9	6	3	0
6	4	2	0
4	3	2	0
9	6	3	0
9	6	3	0
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