

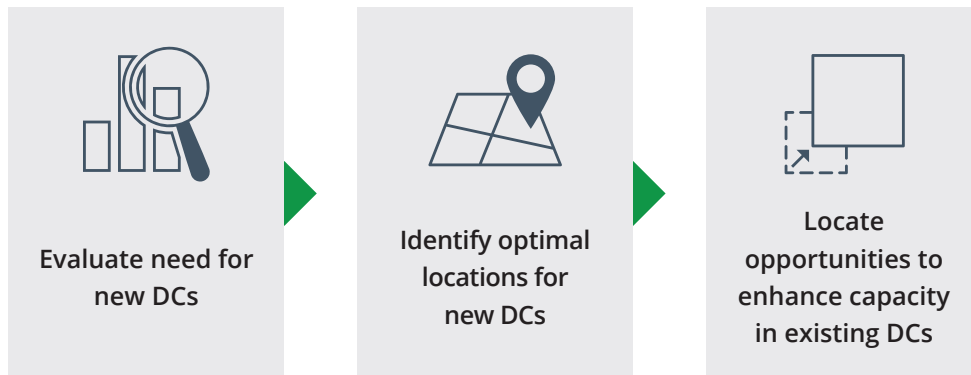


# Network Optimization Identifies \$17 Million in Savings While Exceeding Service Levels

## Challenge

A leading retailer of outdoor clothing and equipment and one of the largest direct marketing businesses in North America is experiencing continued expansion in the North American market. As they open retail locations in new geographic areas it is critical that the company evaluates the need for new DCs, the best locations for potential new facilities, and opportunities to enhance capacity in existing DCs.

A fully implemented network optimization and DC expansion program is helping one of North America's leading outdoor retailers continue to compete in both the brick-and-mortar and e-commerce worlds while maintaining favorable transportation and distribution costs as a percent of total sales.



In addition, the company anticipates changes in their overseas sourcing strategy, with a resulting shift from West Coast to East Coast ports of entry. Reducing supply chain expenses and lead-times, both to their retail locations and their direct market customers are key performance metrics that the company continuously seeks to improve.



## Solution

The company turned to LLamasoft to optimize their current network and determine where and how many new DCs should be added to accommodate projected growth. Ten scenarios were created, optimizing the existing network, examining potential new DC locations, accounting for seasonal peak inventory flows, implementing “zone skipping” strategies for direct customer shipments, and testing shifting supplier strategies.

## Results

The completed model enabled the retailer to make decisions about how to best service the growing retail and direct sales markets. By acting on the analyses provided by LLamasoft, the company can save up to \$17 million dollars annually while maintaining or improving its service levels. A fully implemented network optimization and DC expansion program will help them continue to compete in both the brick-and-mortar and e-commerce worlds while maintaining favorable transportation and distribution costs as a percent of total sales.

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