

Management Briefing

Top 5 Pitfalls Brewery Supply Chain Distribution



Taking cost and complexity out of the brewery supply chain

In this document, we reveal the top five inhibitors – the most common pitfalls - to cost effective distribution within the brewing supply chain. We reveal a practical solution that makes a quick and sustainable cash contribution, straight to the bottom line.

In all, the briefing should take no more than five minutes.

Life can be tough

Balancing distribution costs and service levels within the brewing sector is fraught with complexities. From our conversations with Supply Chain Directors within the sector, we believe the challenges fall into four key areas.

First, it became clear that different product types can be sourced from more than just one plant or distribution centre.

Secondly, planners are struggling to consolidate loads into cost-optimal full and less than full truckloads – especially in a multi-drop landscape.

Inter-warehouse transport and distribution is often managed through a mix of own trucks and third party logistics providers. Each working to different tariffs, with different constraints, different service levels and different available capacities.

Finally, there are added complexities arising from batch product constraints, delivery performance, and differing national and regional restrictions, as well as differing working-time legislation.

We could go on, but it is clear that all of the day-to-day complexity and associated inefficiencies & cost penalties, boil down to a need to cost-optimize a number of competing elements across departments, regions and supply chains.

Something we specialize in.

The top five pitfalls

We have identified five key inhibitors to distribution optimization within the brewing sector.

1. Allocating customer demand to the nearest sourcing point

In a very time-constrained and dynamic environment, planners are forced to reduce complexity. Inevitably, this impinges on the quality of their decisions and any potential for cost savings.

Allocating demand to the nearest point of source can overlook alternative, potentially more beneficial, options.

To achieve optimal allocation decisions, all relevant information has to be taken into account. Things like customer demand, inventory levels, availability of product types at each depot, available trucks, trailer specifications, costs - and all the other elements that can affect the bottom line.

It can mean sourcing loads from depots that seem odd to a planner, but nevertheless they represent the most cost-efficient allocation.

2. Silo processes

Across all market sectors, the traditional approach to combating complexity has been to 'compartmentalize'. Breaking down processes into discrete elements that are then managed in separate, specialist departments.

Separating the *demand allocation* process from the *transport optimization* process simply leads to less than optimal decisions in a disconnected supply chain. Real-time decision making becomes incredibly difficult – and almost impossible to keep everyone in the loop.

3. **Missing out on valuable consolidation opportunities through too early carrier allocation**

When planning involves a range of activities such as assessing distances, looking up tariff tables, sticking to service levels and so on, there is a natural desire to get the whole process completed and 'put to bed' as quickly as possible.

The imperative to plan each day's movements *quickly* – rather than taking the risk of going right up to the wire - really does diminish the number of opportunities for consolidation.

And, of course, *change happens*. With long lead-time decision-making between planners working in different silos, all opportunities for consolidation created by last minute changes in circumstances are squandered.

4. **Assigning deliveries to carriers based on personal preferences, rather than costs or reliability**

This is to some extent related to the point we make above. There is a very real role for human intervention within even the most automated solutions. But decisions made by planners are not necessarily aligned with corporate strategy. Planning decisions are all too often made on experience, without instant checks-and-balances against KPIs – both the planner's and other departmental KPIs.

5. **Out-of-the box automation**

There are a number of automated software solutions that address the needs of supply chain management.

Although they can deliver more visibility, they fail to generate significant cost savings. This is because they fail to take into account all the relevant rules and constraints that apply to each user company, or the markets in which they operate.

Generalized automation never achieves true competitive advantage.

Defining an 'ideal' solution

Despite the complexity and dynamics involved, it is possible from our observations to define an 'ideal' logistics solution for the brewing sector.

The Quintiq Brewery distribution solution automatically generates the most *cost-efficient* operational outbound distribution plan. The optimized plan takes into account order consolidation, load allocation to distribution centers, inter warehouse movement. It takes into account route planning and carrier allocation - taking all constraints, SLAs, costs and optimization goals into account

It clearly shows – as it happens - the effect of any decisions or changes the planner may make, on the company and departmental KPIs. Everyone is kept fully informed. Everyone feels in control.

Thirdly, on the day-of-operations, our solution recognizes disturbances or unplanned business opportunities and instantly reschedules, exploiting the new situation automatically.

It is built around expertise and 'hands on' experience gained right across the logistics sector. It has brewing industry specifics built-in. And, most importantly, it has a client-specific layer that allows us to mirror exactly *your* operations, *your* constraints, *your* logistics strategies and objectives.

And, unlike departmental black-box solutions, it can be configured to allow planners to apply their own special knowledge – with full KPI checks and balances.

Proven logistics and supply chain solutions, modeled to *your* operation.

To find out more about our brewery sector solution and to learn how it could contribute directly to your bottom line, call one of our industry specialists.



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