FIND YOURS.

What Supply Chain Optimization Software Isn't Able to Tell You

Presented by:
Blue Horseshoe Solutions
Chris Elliott
Consulting Manager / Shareholder
Blue Horseshoe Solutions
Objectives

• Best practices when utilizing supply chain software and data analysis in supply chain decision making processes
• Factors that are not typically considered by software tools when selecting and designing new facilities
• How to engage state and local development organizations when planning or expanding facilities
• Considerations after selecting a location
Case Study – Natural Foods Manufacturer

Background

- Vertically integrated natural foods processor and manufacturer
- Located in Pacific Northwest
- Shelf price on East Coast was higher than competitors
- Majority of products sold through distributors and sold in independent natural food store
- Needed lower cost distribution to increase inroads with major retailers
Case Study – Natural Foods Manufacturer

- Challenges to Facility Location
  - Transferring company culture to East Coast
  - Cost of raw materials
    - Tomatoes – California
    - Chicken – Company Owned
    - Beef – Company Owned
- Challenges to Modeling Solution
  - Available farmland
  - Water quality requirements
  - Somewhere the CEO would want to visit
Case Study – Natural Foods Manufacturer

Results

16 candidate locations reduced to 5 cities listed by total operational expense for inbound, outbound, warehousing and manufacturing

Indianapolis, IN
Columbus, OH
Cincinnati, OH
Johnson City, TN
Chattanooga, TN

Two cities indicated as finalist due to location incentive packages:
Columbus, OH
Chattanooga, TN

What was the final selection?
Final Selection

CEO of Company Selected: Nashville, TN

His reasoning:
Nashville was a much cooler city than the other options he was presented.

End result – Contracted out to Manufacturer in PA then sold the company to major food company.
SC Modeling Software

Pros
  • Great for visualizing results
  • Can model many more factors today than even 5 years ago
  • Can give non-intuitive insights into complex datasets
SC Modeling Software

Cons

• Can be difficult to input data
• Complex to use and expensive
• Can require extensive training or investing in outside resources to run models
Taming the Software

- Have your data model ready for starting
  - Get table specifications from vendors
  - Evaluate ability to match vendor requirements
- Attend user conferences
  - Evaluate software roadmap
  - Get real life stories from users
  - Get lower cost training
- Evaluate utilizing lower cost cloud based tools
  - Less data input complexity
  - No yearly maintenance fees
What Can’t Modeling Software Do?

Pick a Metro Area
Columbus, Ohio VS Cleveland, OH

• Both metro areas have a population of around 2 million
• Both have major highway arteries
• Both within a day’s drive of East Coast, Chicago, and other major eastern population centers
• Cleveland has lake access for moving materials over the great lakes
• Both cities have extensive rail infrastructure

Why is Columbus considered a logistics cluster and not Cleveland?
Factors Software Miss

• Workforce mobility and availability
• % of workforce that want to work in distribution
• Chances of unionization
• Ability to attract and retain management
• Pressure on labor rate from alternative jobs
• Alternative hiring programs for non-standard workers
• State and local incentive programs
• Hipness of community
State and Local Incentives

Keys to Success in Working with Development Agencies

• Build relationships with key decision makers
• Be open and honest about number of jobs and what type of jobs
• Utilize their connections to real estate companies and understanding of local regulations
• Access to workforce development and training programs
• Research past incentives granted and work to get similar offers
• Leave the conference rooms and tour the surrounding areas
You Have a Location . . . Now What?

- Find location with expansion capabilities
- Determine material handling equipment needs
- Begin search for employees
- Work on any stand up or transition plans

How to get this all done?

Get help with selection, working with development agencies, design, and build of new facilities from conception to ribbon cutting.
Key Takeaways

• Supply Chain Modeling software tools can be effective, but they have limitations in determining labor factors, government incentives, and if the location is cool enough for your CEO.

• Use software to narrow down potential cities, then work with government, real estate, and knowledgeable partners on the selection of the final location.
For more information

Chris Elliott celliott@bhsolutions.com
bhsolutions.com

Visit ProMat Booth S4475