CASE STUDY

Distribution Optimization: Analyzing Distributor Placement to Support Strategic Growth Initiatives

Challenge

A popular, regional quick-service Restaurant Company with an aggressive national growth strategy planned to penetrate new U.S. geographies, including the Pacific Northwest. The nearest distribution center to the new restaurant locations was more than 1,000 miles away, so the transit times made responding to demand fluctuations financially and operationally challenging.

Solution

Armada recognized an opportunity to use analytical modeling to provide insights so the Restaurant Company could make an informed decision on distribution center placement to service its Pacific Northwest restaurants. Armada first forecasted the new market demand and performed an analysis, which compared the total landed cost of supplying these restaurants from distribution centers located in either Seattle, WA; Portland, OR; or San Francisco, CA. The analysis provided visibility to the logistics costs of servicing the market under these scenarios, empowering the Restaurant Company to determine the best approach. The Restaurant Company selected the Seattle solution as an optimal trade-off between logistics costs and service proximity to the planned new restaurants.

A separate analysis was then performed to determine the most efficient way to supply the remote, low-volume Seattle distribution center. Armada recommended that the majority of items should be consolidated at the distribution center in southern California and transferred to Seattle for distribution. Only the items with the highest velocity would be delivered directly to Seattle in order to mitigate the cost to serve this new market.

Solution (continued)

Once the Seattle distribution center has sufficient throughput to support direct shipments from its suppliers, Armada will assist the distribution center as it begins to order in economic quantities. Armada also will continue to monitor order compliance to maximize inbound efficiencies to the distribution center for the Restaurant Company.

Armada's practical execution expertise was particularly helpful, ensuring that the designed solution was operationally feasible. This included leveraging the Restaurant Company's existing ReDistribution network, also operated by Armada, keeping the costs of supplying low-volume items in check.

Results

Armada's thoughtful and detailed analysis aided the Restaurant Company's supply chain team in supporting its growth strategy in an informed and confident way. Upon opening, the first restaurant in the Pacific Northwest experienced double the sales accounted for in the modeling exercise. The Seattle solution, with its geographic proximity and ease of service to the restaurant, enabled the location to remain open and supplied. This demonstrated that the Restaurant Company's supply chain is now positioned to support aggressive growth in a new market and add restaurants to a broad geography in the Pacific Northwest.

In the short term, the solution the Restaurant Company implemented, based on Armada's analysis, will save the company approximately $500,000 per year. By partnering with Armada, the Restaurant Company applied robust, fact-based analytical modeling to answer this critical business question and is now aligned for future strategic growth.

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