

Viewpoint

Focus on Inbound Logistics Improves Outbound Flow

Many retailers focus on distribution from distribution center (DC) to store (outbound), as opposed to supplier to DC (inbound) – even though it can be proven that focusing on inbound flow can reduce a company’s working capital by as much as 10-15 percent.

In addition, retailers can experience reduced stock-outs, improved available to promise (ATP) for both retail and e-commerce, and decreased operating expenses.

With that knowledge, the question remains: Why would a company continue to focus on outbound?

- Conventional distribution/logistics knowledge is focused on outbound.
- Rise of the “import-centric” supply chain came quickly and retailers needed to respond quickly (i.e., getting to China ASAP versus building operational efficiency, a lack of international logistics talent, and reliance on freight brokers and asset-bound carriers).
- Technology solutions are tailored primarily for outbound.

The unfortunate result of this short-sighted thinking is that products sourced in Asia and shipped via ocean have more lead-time variability (\pm four days), leaving the retail outlet with three options:

- to carry more inventory
- to continue to ship product via air
- to decrease order fill rates (impacting customer service)

We believe that to effectively manage an organization’s outbound flow, the company’s inbound flow and allocation processes must be defined. Enabling technology (PO management, vendor compliance, inventory visibility, events and alerts, KPIs and reporting) will provide visibility and metrics to reduce the variability (lead time) in the supply chain.

Gaining control of the inbound flow of merchandise and implementing a solutions architecture also improves the speed at which decisions are made. Visibility of the merchandise at its lowest common denominator allows retailer allocation methods illustrated on the next page.

Partnering with a value-added service vendor that understands the importance of managing a company’s inbound flow and allocation processes is the first step in conquering the changing challenges and variability between supply and demand.

For more information about this article please contact us at 877-684-7700 or inforequest@envistacorp.com

