USC CONSULTING GROUP™

Empowering. Performance.

New distribution strategy delivers heat for HVAC manufacturer.

Client:

A leading global producer of heating, cooling and water heating products

Challenge:

A HVAC systems supplier had just landed a potentially lucrative contract with a high profile, big box retailer. In order to meet the retailer's stringent customer service requirements, the company needed to revamp its North American warehousing and distribution to support more than 2,000 stores and hundreds of installation contractors. They would also need to maintain four-hour service in all major metropolitan markets.

Process:

To simplify the process, we split the project into two phases. During phase one, we took the following steps:

- A review of all logistics and delivery options for the continental U.S. revealed that existing records were in disarray, featuring multiple brands with disparate item numbers. These required conversion into standard nomenclature.
- We extracted and compiled retail sales data to get a better idea of how operations were running throughout the country, and then analyzed historical retail data to develop preliminary distribution points.
- We compared our client's historical sales data to the retailer's data to identify synergies in the distribution of similar products. From this, we forecasted projected growth rates for one year, three years and five years.
- To help the client avoid scenarios where the retailer's sales could potentially threaten its own, we used demand projections as well as possible locations for distribution centers.
- We projected inventory costs to find the best distribution strategy.
- We used preliminary footprint requirements to determine the optimal balance between service levels and cost scenarios.

Taking things a step further in phase two, we:

- Developed a dynamic logistics and distribution modeling tool and determined key performance indicators to be measured.
- Updated contractor address information and developed a standard nomenclature for all retail sales.

- Created a master file to keep track of dimension and weight information for truck-loading purposes.
- Ran models to identify the proper number and location of distribution centers to meet the retailer's terms.
- Revised distribution maps based on our client's preferred manufacturing sites.
- Defined storage and outbound costs and linked them to the location selections, calculated by region and varied delivery pricing.

Performance Results:

In the end, the number and location of facilities met the retailer's required level of service, while minimizing cost.

Conclusion:

USC Consulting provided our client with a dynamic modeling tool and methodology for managing inventory, logistics and delivery strategies. Using our proprietary data aggregation and analysis tool, LINCS® PAR, we helped them attain the status of preferred HVAC systems supplier with the big box retailer. Additionally, our client saved $14 million through improved inventory management. The consulting engagement resulted in a high return on investment, and both companies went on to reach outstanding levels of customer service and satisfaction.

According to the manufacturer's COO, "All in all, USCCG delivered an executable plan with a high probability of success."