

CASE STUDY

# HOW SUMMIT ADVISORY TEAM UNCOVERED \$10M IN SAVINGS FOR A TOP US RETAILER

## TOP RETAILER AT A GLANCE

8

DCs

4,500+

stores

>\$1B

annual revenue

## OPPORTUNITIES IDENTIFIED



**\$10M** in savings



**20% decrease** in high-zone shipments



**50% increase** in productivity

## BACKGROUND

A top U.S. retailer reached out to Summit Advisory Team, engaging them to perform an analysis of their warehouse operations in 2022. The company operates eight distribution centers that supply more than 4,500 stores worldwide. With billions in annual revenue, the company needed a team of seasoned experts to identify operational improvements to help them meet their goals.

## OBJECTIVE

The client was looking to see if they had the optimal network in place to support their customers and stores by establishing a baseline of their network performance in terms of cost, quality and speed. With that baseline in place, they could then identify opportunities to improve performance and model potential alternatives to their current network that would support their overall company objectives and future strategy. Their goal was to make sure their eight distribution centers were set up for optimal operational efficiency to ensure the accomplishment of their five-year goals.

The client needed to determine if they had the right number of distribution centers, whether they were in the right locations, and if the distribution centers were servicing the right stores and product mix. This greater insight would help them build a supply chain network strategy to improve the overall network performance.

The client engaged Summit Advisory Team to help them gain data-powered visibility and insight and to provide actionable recommendations to allow the company to make operational decisions that would lead to their desired outcomes.



## OPPORTUNITIES

Summit Advisory Team provided the client with several improvement opportunities based on a data analysis powered by Elevate. Elevate is a supply chain visibility platform that allows retailers to easily manage and track supply chain data to drive profitability and positive customer experience. Summit leveraged Elevate to analyze historical throughput volume, performance and costs by sourcing data directly from the retailer's OMS, WMS, parcel shipments and invoices, and GL costs.

The most promising opportunity found by the Summit team came from identifying and quantifying the impact of a significantly underperforming warehouse. Because Summit is able to evaluate operational success down to unit-level detail, they found that the cost per unit at one warehouse was substantially higher than at the others. The team recommended focusing initial adjustments on the distribution center that could see the most immediate impact.

Recommended opportunities included changing the product mix serviced at that facility, increasing the unit volume in order to leverage fixed expenses, and undertaking initiatives to improve productivity. Implementing these changes is expected to uncover savings of \$10M annually for the company.

Further recommendations to optimize throughput and productivity include improvements relative to the company's technology investment, operating efficiency, utilization of current technology and storage capacity.

## METHODS

The Summit team used a four-phase approach for the project as outlined below.

### Phase 1: Warehouses Visits

Summit's experts visited the client's warehouses to meet with supply chain stakeholders to discuss current state, future strategic initiatives, and pain points. They also spoke to operators, and gathered data on current-state operations. The goal was to calculate the physical warehouse constraints of current state operations for outbound throughput and inventory storage that could be used in the network model against future volume plans.

### Phase 2: Baseline Network Model

Operational source data from WMS, OMS, and other systems was pulled directly into the Elevate platform, allowing Summit access to meaningful insights and visual understanding of opportunities almost immediately — a process that takes only days or weeks rather than months, thanks to Elevate's prebuilt data model that is ready to go for most operational source systems. The team then partnered to configure cost, productivity, capacity, and sales plan assumptions to configure the baseline model.



ELEVATE

Elevate's tool is the best in the market for this type of deep data harvesting. The data they provide informs our analyses beyond what anyone else in the industry can offer. In fact, after our work with them is completed, our clients often choose to continue using Elevate's dashboards because they provide incredible data insight into their supply chain.

**Josh Meyer**

Summit Advisory Team, CEO

Taking a deep dive into shipping data, order data, financial data, and inventory locations in the network allowed Summit to calculate a cost per unit for each shipping node, sales channel, and fulfillment type to understand historical throughput velocity and order profiles. Visibility into each warehouse/node at this level allowed them to identify opportunities or disparities in operational performance.

In contrast to a typical network analysis that focuses on demand geo-density to identify ideal warehouse locations, Elevate's model allowed Summit to consider other factors such as inventory availability, demand, capacity and long range channel plans in the decision process.

The result of the baseline network model phase was a summary of current operations and projected costs and capacity constraints with 5-year sales projections. This summary identified network exceptions and opportunities and guided the future state scenarios.

### Phase 3: Future State Scenarios

Summit Advisory Team partnered with supply chain leadership to brainstorm and come up with a list of potential network changes. The Summit team leveraged Elevate to model these scenarios against the baseline network to understand the impact to profitability and speed associated with shuttering various warehouses, shifting the inventory, and implementing other possible changes. In doing so they identified the most profitable series of adjustments over the next five years that are feasible within physical limitations or attainable with additional capital investments.

### Phase 4: Final Recommendations

With all of the data gathered and analyzed, Summit Advisory Team presented their findings to the executive sponsors. They helped the client understand the benefits and liabilities associated with various scenarios so they could make data-backed decisions as they step into the future, and made recommendations based on their experience.

Summit's unrivaled approach is powered by Elevate. "Elevate is the best tool in the market for this type of deep data harvesting," said Josh Mayer, Summit Advisory Team CEO. "The insights Elevate provides inform our team beyond what anyone else in the industry can offer. In fact, after our work with them is completed, our clients often choose to continue using Elevate as their operational analytics platform to help operate their supply chain."

#### OPPORTUNITIES IDENTIFIED



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#### RESULTS

Summit found that the client could support the five-year sales plan and that ongoing investments should be made to reduce the operational risk associated with existing material handling equipment and technology. They also found that the company's existing network was at risk for encountering processing capacity constraints, and they uncovered opportunities to help alleviate those concerns.

Opportunities outlined by the Summit Advisory Team will result in \$10M in savings annually — mostly driven by parcel transportation savings — a 50% improvement in productivity and a 20% decrease in high-zone shipments. Data-driven decision making will allow the retail giant to avoid the overall decrease in building throughput and improve suboptimal operating expenses.

In addition, the client looks forward to an ongoing relationship with Elevate in using the platform to continue receiving data insights into their supply chain operations processes. The robust analytics will allow the company to scale aggressively while maximizing profitability and even capitalize on significant savings moving forward.