

Distribution and Logistics

A Retail Optimization Service

Offered By

*B*USINESS *S*TRATEGY *G*ROUP, INC.

CONTACT:

Randy Misener
(O) 678-474-0943
(M) 678-898-6400

rmisener@retailcoalition.com

Background

The need to control costs and continuously improve operations has never been more imperative

- ❖ Retailers operate in a highly competitive marketplace. The need to control and reduce operating costs has never been greater. This includes as a high priority the identification of opportunities to drive further efficiency in distribution centers & transportation operations.
- ❖ Key issues pressuring costs include: recruitment & retention of qualified workers, escalating health & welfare costs, regulations on food safety & environmental issues. Escalating fuel costs & drivers hours of service are also critical issues in transportation.
- ❖ BSG offers its RAID service to enable its clients to rapidly identify opportunities for improvements in its supply chain performance.

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Scope & Objectives

Our industry experts rapidly assess the opportunities for focused improvement delivered quickly

- ❖ The RAID process is designed to rapidly assess the possibilities for improvement in distribution effectiveness for retail and wholesale clients.
- ❖ Utilizing industry expertise BSG will identify, through a short on site evaluation, the immediate opportunities in the performance of distribution centers and transportation operations.
- ❖ By examining distribution center and transportation processes in detail we aim to help you answer questions such as:
 - *How can we achieve a step improvement in warehouse productivity?*
 - *Are we utilizing the optimum warehouse storage & selection media?*
 - *What are the opportunities to utilize technology more effectively?*
 - *Can trailer cube be increased thereby reducing trips and route mileage?*
 - *Is it possible to grow inbound freight revenues at a faster pace?*

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Size of the Prize

Our Track Record

- ❖ **Mid western retailer:** We identified efficiencies in warehouse, transportation, procurement optimization and selective outsourcing that would capture \$14 million in annual savings. We were retained by the client to implement this plan that resulted in a reduction of supply chain costs by 1% of cost of goods.
- ❖ **West coast retailer:** We determined 37 supply chain improvements which were ranked and prioritized. Many were identified for fast track implementation. Annualized savings of \$6 million were identified. In addition 5 scenarios were developed for the network strategy with a different mix of in-house and 3PL.
- ❖ **National grocery retailer:** We discovered \$90 million in inventory savings that could be captured in distribution centers integrating with suppliers average replenishment cycles. A separate strategy identified reductions of \$120 million in store inventory without impacting customer service levels.
- ❖ **Large southwest retailer:** We evaluated the use of more technology in transportation operations. Effective planning ensured rapid recovery of systems investment. As part of the discovery process, immediate operational improvements of over \$3M annually were identified.

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Approach & Deliverables

We quickly assess the situation, define the opportunities and make our recommendations



Discovery

- ❖ Review core warehousing & transportation processes
- ❖ Evaluate asset utilization
- ❖ Examine technology support

Assessment

- ❖ Validate current state by benchmarking
- ❖ Analyze strengths & weaknesses
- ❖ Identify and quantify opportunities

Recommendation

- ❖ Highlight quick wins for rapid payback
- ❖ Prioritize mid term opportunities
- ❖ Recommend longer term investments in efficiency

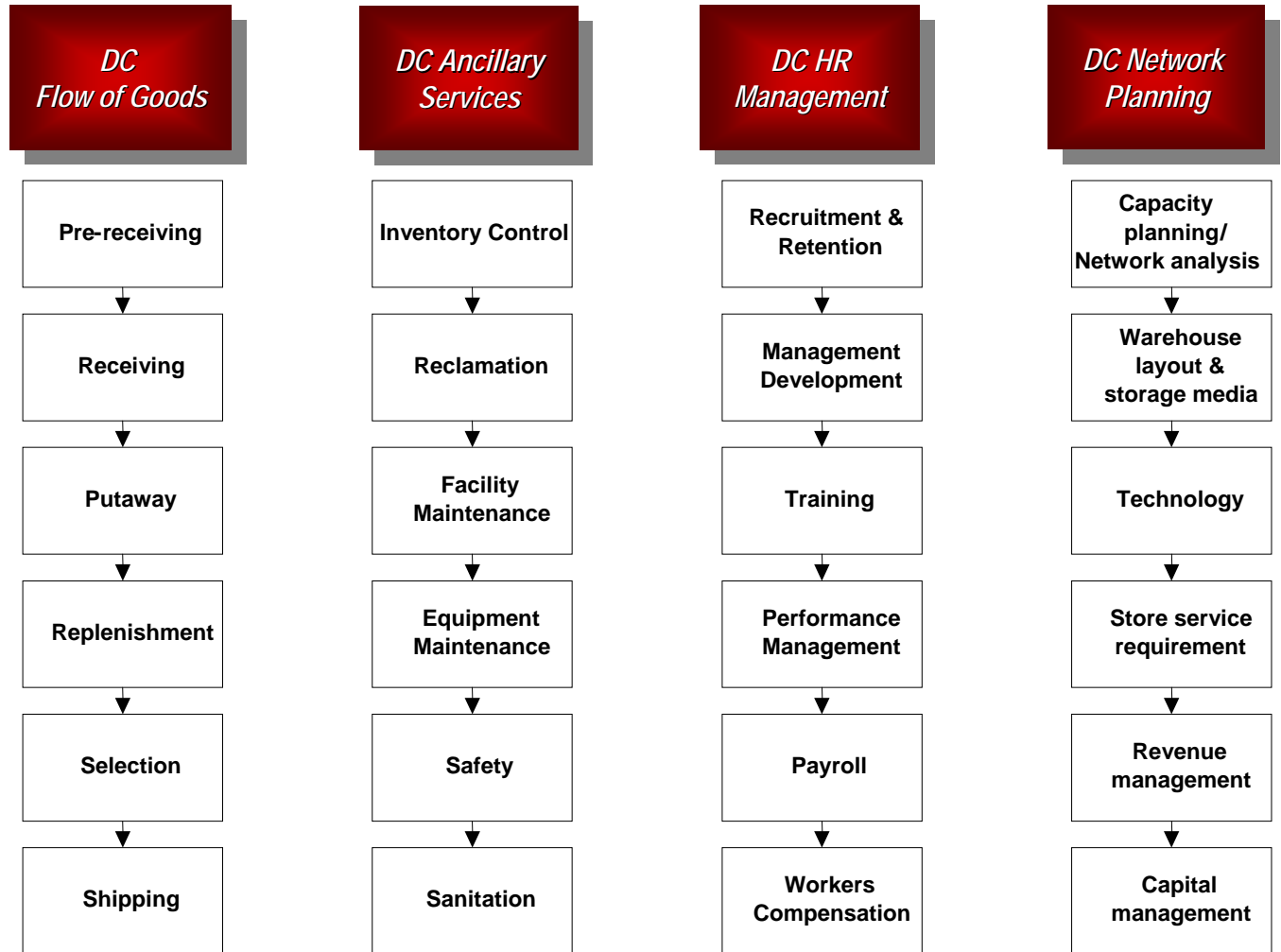
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Distribution Center Process Analysis

Distribution center processes examined and effectiveness assessed



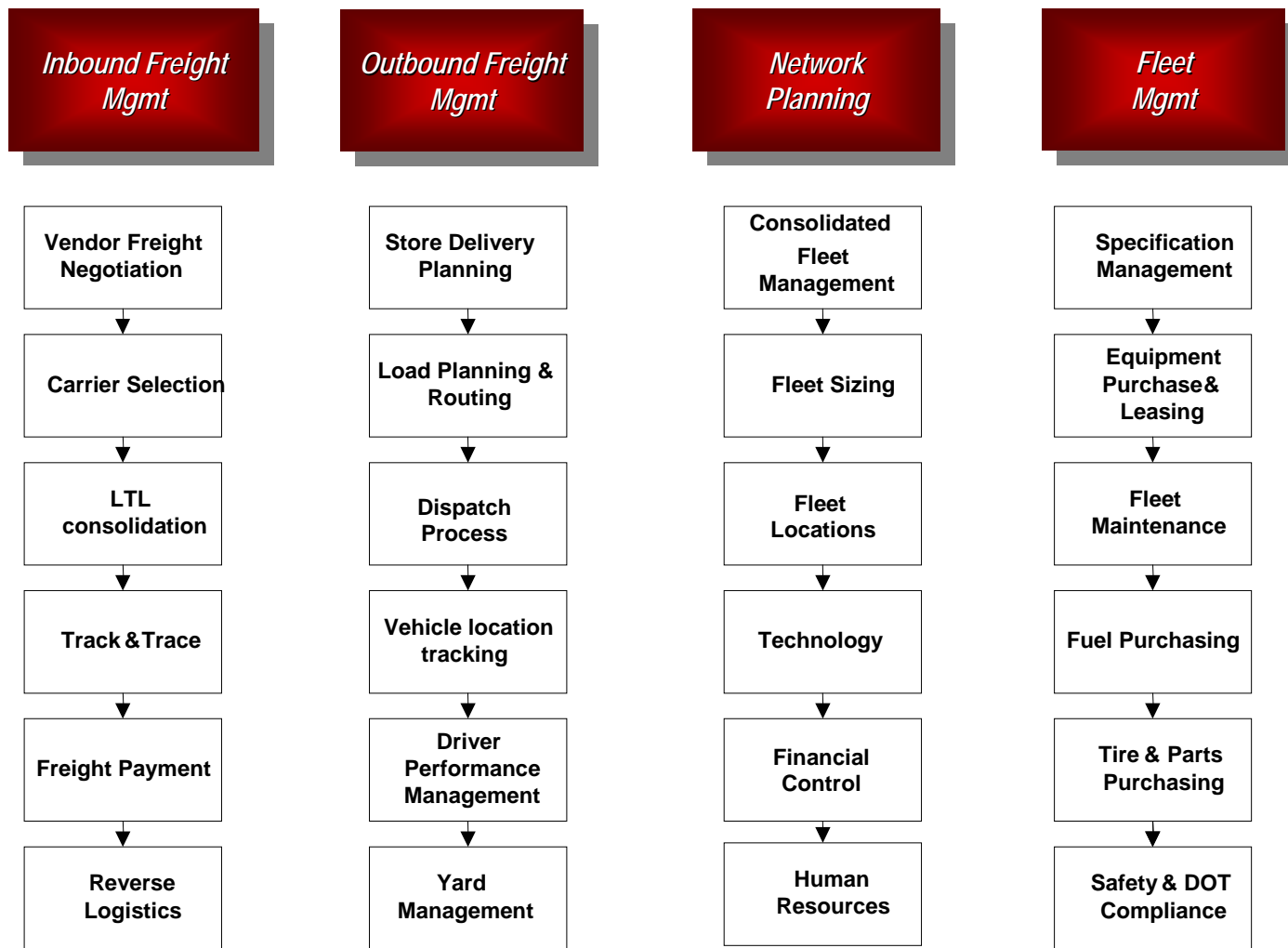
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Transportation Process Analysis

Transportation processes examined and effectiveness assessed



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Resources & Costs

*Low cost,
high value & fast
delivery*

- ❖ BSG will deploy three industry experts on site to accomplish the business discovery phase of the RAID service. A fixed fee and project timeline will be determined in conjunction with the client, based on the agreed upon scope, depth and breadth of the assessment (i.e interview access to key executives and managers, number of warehouse visits, etc.).
- ❖ We will require time input from your key executives in company management, including distribution, procurement, transportation, logistics, IT and financial control.
- ❖ We will prepare a pre-visit survey which helps to shortcut the discovery and evaluation timeframe.
- ❖ A report will be prepared off site and delivered to you within two weeks of the completion of the on site activity. This will highlight the quick wins, prioritize medium term opportunities & recommend longer term investments in efficiency. The time spent preparing this report is part of our client investment.
- ❖ Expenses for transportation, accommodation and meals will be billed net. Every effort is made to keep expenses to a minimum by using client arrangements.

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Representative Resource Profiles

Gary Stephenson

Gary is a founding principal of BSG, in charge of engagement delivery for BSG. He has more than 30 years retail consulting and industry experience, including Arthur Andersen, KPMG & KSA. His expertise includes accounting, IT, supply chain, process improvement, manufacturing, store operations and outsourcing. He has held executive positions with Auchan Hypermarkets. His many clients include: A&P, Kroger, Schnucks Markets, Canadian Tire Corporation, Federated Department Stores, Pathmark, Meijer, J Sainsbury, Sears Canada, Lane Bryant and Aeon (Japan).

Mike Powell

Mike is a BSG director in our End-to-End Supply Chain practice, with primary responsibility for distribution and logistics strategy and improvements. His specific skills include: network planning, warehouse & transportation operations and information systems. He has held key executive positions with leading US and UK retailers. As a SVP, Supply Chain at Shaws, he successfully managed the integration of Shaws and Star Market distribution and logistics operations. Previously, he led the supply chain at a UK home improvement chain and also a leading UK grocery retailer.

Ken Walker

Ken has over 30 years of Supply Chain and Logistics experience in the consumer packaged goods industry as well as all forms of retail. His clients have included leading global CPG manufacturing and retail companies, such as Kroger, Publix, Wakefern, Hamilton Beach, Pfizer and Savemart Supermarkets. He was a Principal and West Coast Regional Director for Kurt Salmon Associates (KSA), where he was one of the original authors of the Efficient Consumer Response "Black Book," produced for Grocery Manufacturers of America and Food Marketing Institute.

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Our Value Proposition

Retail Experience

- ❖ Our depth of experience enables us to identify opportunities and provide practical solutions and benefits quickly
- ❖ Everyone on our team is a seasoned professional with hands on senior executive experience

Knowledge

- ❖ We use our broad knowledge base of industry best practice to achieve superior performance
- ❖ This strength enables us to determine what will work and why.

Collaboration and Teamwork

- ❖ We work closely with the client's executive and operational management to transfer knowledge
- ❖ We communicate clearly and candidly during the on-site assessment

Approach

- ❖ We use clear, precise and logical steps throughout all of the phases of the project
- ❖ We highlight the quick wins, prioritize medium term opportunities & recommend longer term investments in efficiency

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*We take great
pride in the
companies we
serve*

Representative Clients

Grocery

- Brookshire Grocery Co.
- J Sainsbury (UK)
- Hannaford Bros.
- The Co-Op (UK)
- The Kroger Co.
- Save Mart Supermarkets
- Weis Markets
- Price Chopper
- Meier
- Schnuck Markets Inc.
- Somerfield (UK)
- Coles Myer (AUS)
- Nexcom
- AAFES

Convenience

- 7-Eleven
- Circle K

Drug

- CVS
- Thrifty/Payless

Mass Merchandise/ Specialty

- Linens 'n Things
- Canadian Tire Corporation (CAN)
- CTDA (CAN)
- The Limited
- HomeBase (UK)
- Zales
- Michaels
- LCBO (CAN)
- SEARS
- Family Dollar

Wholesale/3PL

- Arthur Wells Group
- Unified Western Grocers
- Southeastern Frozen Foods
- Tibbett & Britten (Excel)

CPG Manufacturers

- Dole Foods
- Nike Worldwide
- Sara Lee