

# Case Notes



## A strategy to centralise small parts helps to maintain growth

### The objective

Argos has seen more rapid growth than almost any other comparable UK retailer over the last few years. Until recently its strategy for supporting the supply chain needed to maintain this growth was to build new RDCs (Regional Distribution Centres). Each RDC stocked virtually the full range and supplied Argos stores in its region. In 2000 a review of the supply chain strategy indicated that there would be benefits from the centralisation of small items, which would then be picked by store order and cross-docked through the RDCs. This same central facility, it was decided would also be developed as the primary point for the storage and distribution of directly imported (DI) lines. The objective then was to determine how big the facility should be, what equipment, systems and operational procedures should be used and where it should be located.

### The Logistics Business approach

We provided a full design and operational development team to work alongside the Argos project team. We used our computerised, interactive distribution centre design tool, *i-flow*, to model what the business might look like in five to seven years time, given a range of likely scenarios for sales growth and range expansion. This provided us with the essential parameters for considering what options might best suit the future needs of the business. The preferred options, which included a high level of automation, were then brought together into a specification of requirements and the project was put out to tender.

### The solution

The new 60,000 m<sup>2</sup> facility is under construction on a greenfield site in the Midlands. Our consultants are working as part of a team comprising representatives from Argos, the MHE supplier and the building contractor to manage the construction and ensure that equipment and systems are delivered, tested and commissioned to specification. One of our consultants is acting as "The Engineer" under the terms of the MF1 contract. We are also working with the operations team to help develop the methods of working and processes that will be needed to integrate the new central facility with the rest of the Argos distribution network.

### Successes and Benefits

- ↳ Attention to detail and use of special modelling tools have ensured that the implications for a range of possible future scenarios were well understood before any design options were considered.
- ↳ Our practical experience of many DC designs was used to interpret the results of modelling so that the design of the new facility was well matched to the needs of the business.
- ↳ The range of skills within our team has enabled us to provide Argos with comprehensive support covering analysis, design, IT systems, project management and operational development.
- ↳ The new facility will provide Argos with a key part of its distribution network to help deliver continued growth in the business.

#### Supply Chain Networks

The way in which Argos is developing its distribution operations is a good example of how supply chain networks grow within an organisation.

The new facility will extend the network by introducing new delivery channels but the result will be significant cost benefits. This important point is that Argos have understood the complexity of their supply chain network and are managing it accordingly.

Many organisations simply do not recognise the multiple supply chains within their business and consequently fail to manage the network to best effect.

