

CONTINGENCY PLAN AND RISK MITIGATION ADVANTAGES FOR SUPPLY CHAIN RESILIENCY DURING NATURAL DISASTER

A newly spun-off global medical technology company that provides healthcare solutions became the victim of a natural disaster during a two-phase supply chain network redesign. Mitigation of service inefficiencies and anticipated cost increases became critical supply chain management concerns.

KEY TAKEAWAY

Companies should assess their supply chain to mitigate risks and renew contingency plans on an annual basis. Regular review of a company's supply chain and utilizing an optimization model are great insurance policies to identify an effective strategy for resource allocation when unexpected and uncontrollable disruptions occur.

BACKGROUND: A DISTRIBUTION FOOTPRINT REDESIGN

A global personal care corporation separated its global medical technology division from its paper-based consumer division and required a redesign of the distribution footprint to support the separation of different product lines. With an incredibly complex supply chain, it came to Schneider Supply Chain Management® (SCM) looking for help. A two-phase approach was agreed upon based on work done by SCM's engineers, but during phase two, a tornado destroyed its southern distribution facility. This natural disaster left the company scrambling to create a contingency plan to fulfill customer orders as soon as possible without losing momentum on its network redesign.

SITUATION: A TWO-PHASE APPROACH, INTERRUPTED BY NATURAL DISASTER, LED TO A FOCUS ON CONTINGENCY PLAN DEVELOPMENT

After the spin-off from its parent company, the new division wanted a future distribution footprint that would separate different product lines, service its customers and mitigate the risk of the transportation cost increase that it was anticipating across various modes, including small package, LTL and TL. The medical technology company was also concerned about the size and timeline of the project.

Schneider SCM recommended a phased approach utilizing robust but flexible mathematical modeling that would allow for quick modifications (e.g., a natural disaster).

A COMPLEX SUPPLY CHAIN CONSISTING OF:

19

PRODUCTION FACILITIES

34

VENDORS

9

VALUE-ADD FACILITIES

3

DISTRIBUTION FACILITIES

AND OVER

30,000

GLOBAL CUSTOMERS

**PHASE 1**

Tackle the **North American** distribution footprint after modeling illustrated a potential savings of 3.6 to 9.7 percent (\$1.5M to \$4.1M).

**PHASE 2**

Tackle the **global** distribution footprint, which would provide incremental savings based on phase one.

During phase two of the project, a tornado destroyed the company's southern distribution facility, putting a halt to all activities. The warehouse roof had collapsed and destroyed all inventory, including sterilized medical products. All work on phase two needed to immediately be put on pause, letting the focus shift to contingency plan development, so that customer orders could again begin fulfillment as quickly as possible.

SOLUTION: MANAGING DISASTER WITH A CUSTOMIZED CONTINGENCY PLAN

Schneider was able to quickly shift focus at the time of the tornado, making modifications to the mathematical model and using it to run test scenarios that provided the corporation with a robust contingency plan. Within two days, Schneider presented not one, but four possible contingency plans for the medical technology company. These strategies would temporarily change order sourcing, order fulfillment and overflow warehouse space needs, which decreased the company's cost exposure from 37 percent (\$15.5M) to 3.5 percent (\$1.5M).

Schneider provided the healthcare corporation with a truly implementable solution based on open collaboration, custom in-house modeling and rate benchmarking. Unlike consulting firms that gather business rules and return later with a solution, Schneider's SCM experts held weekly meetings to discuss the approach, progress and roadblocks throughout the first phase of the project, which enabled the quick turnaround during the natural disaster. The corporation was involved throughout the entire process, which allowed business rules and solutions that would hinder implementation to be uncovered.

Additionally, because the model that was built for the company was created in house versus a boxed solution, Schneider could accommodate the medical technology company's unique parameters instead of trying to aggregate its business into a pre-existing format.

RESULTS: A SUCCESSFUL NEW NETWORK AND RISK MITIGATION ASSESSMENT

Not only did Schneider enable the global medical technology company to complete a successfully phased network redesign, it was also able to excel during a time of natural disaster. Schneider was able to provide the healthcare corporation with an implementable contingency plan that decreased its cost exposure by \$14M (33 percent).

**— DECREASED —
COST EXPOSURE
\$14 MILLION**

An additional benefit of working with a provider like Schneider, with the broadest portfolio of services in the industry, was the ability to provide insight, guidance and a sensitivity analysis on port selections, so smarter decisions regarding imported materials could be made. Schneider was able to provide transition plan scenarios that helped the company understand the impacts to cost, service to customers and distribution center volume throughput during the phased implementation plan.

To learn how Schneider can optimize your supply chain, email solutions@schneider.com.