Advantages and Challenges of Multiple Domestic and International Distribution Centers

Distribution

A significant competitive advantage in most firms includes reducing or maintaining low costs while achieving high responsiveness and agility. The purpose of distribution is the movement and storage of products through all stages of the supply chain, coordinating and controlling this activity from the supplier through the supply chain to the customer.

When the trade-offs are managed appropriately, distribution adds to the business's competitive advantage by driving profitability through direct impact on supply chain costs and overall customer satisfaction. Factors that influence distribution include evaluating performance along several dimensions, including consideration of customer service and profitability.

Distribution used and planned appropriately has a direct impact on four supply chain costs: inventories, transportation, facilities and material handling, and information in all forms. By addressing response times, variety and availability of product, transparency and visibility of transactions, and the ability to return product, a business can achieve improved competitiveness over the competition.

Risks and Challenges

The added challenges when working internationally include supply price; terms and conditions; costs of delivery; warehousing and inventory; cost of quality; taxes, tariffs, and duties; cost risks and fees; infrastructure; exchange rates; trade agreements; and political considerations. All must be part of the decision process as well as a robust risk identification and mitigation process. Risks to supply disruption and delays must be anticipated and planned for. Typical risks associated with international distribution are the distribution network, delays, information systems, additional forecasting complexity, intellectual property and proprietary information, and the import and export concerns involved. A good distribution network design can play a significant role in mitigating risks in an international supply chain. Mitigation plans for international distribution might include increasing capacity, developing secondary suppliers, increasing safety inventory, developing a robust sourcing process to expand at need, and developing distribution flexibility.

Distribution Flexibility

Distribution flexibility can be summarized into three categories of new
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New product flexibility is the ability to introduce a new concept or product into the market at a rate that is exponentially more rapid than traditional product introduction. Mixed flexibility is the ability to introduce multiple new products into the market simultaneously or within short periods of time from each other. The last flexibility, volume, is the ability to vary the business output and still maintain profitability.

Design Options for Distribution Networks

Distribution is a key element of the logistics and supply chain process. You might typically think of distribution as the transportation and facilities involved in moving and storing products. Distribution is more complex than this and includes the activities and decisions of consolidating, packing, decomposition of packaging, as well as other functions that are related to handling of freight. As with all elements in logistics, distribution focuses on those value-added services with short-term freight storage as an alternative to long-term warehousing.

Design options for distribution networks fall into six broad categories: manufacturing storage with direct shipping, manufacturing storage with direct shipping and in-transit merge, distributor storage with carrier delivery, distributor storage with last-mile delivery, manufacturer and distributor storage with customer pickup, and retail storage with customer pickup. Using the available information and selecting the appropriate distribution network is critical. The challenges with international decisions are the additional delay, distance, and risk factors mentioned previously.

Countertrade

Countertrade is a result of one of the challenges when working internationally. In situations where soft currency exists (currency that is not stable due to political or economic instability), countries may restrict the repatriation of earnings made in these situations. These restrictions may come in the form of untenable exchange rates or simply prohibiting the country’s currency from leaving. When situations like these exist, companies establish countertrade, in which the exporting company accepts payment in noncurrency forms.