



VIEWPOINT

by Mark Holmes



Optimize 'Obnoxious Freight' With DC Bypass

Companies must continually think of ways to improve supply chain and distribution networks to bolster the bottom line and enhance service levels. With so many products today manufactured overseas, the ability to maintain a streamlined network, despite market volatility, is a key competitive edge.

OBNOXIOUS CHALLENGES

These challenges are magnified for retail and consumer package goods companies because nearly 30 percent of what they ship is what I call "obnoxious freight." What is obnoxious freight?

- Goods such as furniture, automotive replacement parts, and outdoor toys that do not palletize efficiently or adhere to standard storage layouts.
- Easily damaged items such as glass.
- High-value goods, including jewelry and routers, that require security.
- Heavy products such as major appliances.
- Seasonal items such as snow shovels, fertilizer, and lawn mowers, as well as items for short, high-volume periods – back-to-school clothes, and Halloween costumes, among others.

Fortunately, recent technology advances, collaboration among trading

partners, and third-party logistics services have improved the ways shippers can move obnoxious freight.

KEEP INVENTORY MOVING

DC bypass, for example – a supply chain best practice that expedites time to market by skirting distribution centers altogether – eases the burden of shipping obnoxious freight.

Businesses using DC bypass load products at point of origin; assign shipments by ultimate destination; clear customs in bulk; deconsolidate at ports; and ship directly to retail outlets or customers. As a result, inventory remains continuously in motion.

A traditional supply chain requires multiple handoffs to move product from origin to forwarder, through customs to delivery, and to end customers. By contrast, using DC bypass and outsourced logistics providers, furniture manufacturers, for example, can move products from Asia directly to American retailers. By deconsolidating at the port and delivering directly to customers, manufacturers sidestep their DCs and eliminate significant transportation costs.

This strategy reduces typical order fulfillment by seven to 11 days. If one

day's inventory is worth \$100,000, companies can reduce fulfillment costs by millions of dollars. In addition, some companies using DC bypass reduce fixed-asset expenses by eliminating DCs and postponing investments.

OPTIMIZING THE SUPPLY CHAIN

A DC bypass solution for obnoxious freight optimizes the supply chain process, helping companies:

- Reduce time to market.
- Improve order-to-cash cycles, response times, and inventory turns.
- Lessen the impact of seasonality and market fluctuations.
- Reduce physical assets and defer investments.
- Eliminate unnecessary handling, labor, and transportation, which reduces logistics costs, errors, loss, and product damage.
- Gain a streamlined, integrated approach to enhancing visibility.

Supply chain executives and chief financial officers should take a closer look at adopting DC bypass strategies for obnoxious freight. With relatively fast and simple adjustments, organizations can reduce costs dramatically, while increasing service and customer satisfaction. ■