



## Case Study

### An innovative Supply Chain Model for Total Tools

**IFC Global Logistics and Warehousing (IFC), through providing an end-to-end logistics solution to Australia's largest independent professional tools retailer, Total Tools, identified numerous challenges impacting the overall efficiency of product delivery in the traditional Ready-to-Store international supply chain model.**

This model, which comprised shipping full containers and less than full containers shipped from individual vendors in Shanghai, Taiwan, Italy, India and USA for cross docking in a single Melbourne-based warehouse before national distribution, presented several issues.

#### The Challenge

Shipping costs were high due to under-utilisation of containers because volume from each individual vendor was not high enough. The Total Tools network was growing rapidly across Australia, significantly increasing the need to linehaul bulky freight across Australia from the Melbourne warehouse. Pallets to stores were under-utilised because shipments from individual vendors were not able to be cross docked together. As a result, transport charges were increasing significantly as a percentage of sales. Establishment of multiple interstate distribution centres to mitigate additional linehaul cost was not justified at the time.

Leadtime to process containers in Melbourne plus cross dock bottlenecks in the Melbourne warehouse resulted in delays in speed to market. Warehouse labour costs were overspent as additional resource was allocated in an attempt to solve bottlenecks. All of these issues necessitated immediate action to be taken to ensure sales losses were minimised and logistic expenses were brought into line.

#### The Solution

To overcome these issues, IFC in collaboration with Total Tools, developed an innovative new Direct-to-Store model that moved processing and consolidation to an offshore location in Shanghai.

From this location, store-ready palletised orders were directly shipped to each Australian state for immediate transportation to store.

The necessity for a fast-paced efficient supply chain system was especially relevant during 2020 when the Covid19 pandemic drastically impacted Chinese production facilities. Most Australian retailers were forced to cancel or postpone orders due to closed manufacturers or limited available space on cargo ships and planes due to a sharp increase in demand for imported goods.

While those operating under the Ready-to-Store shipping model were compromised, Total Tools were able to leverage \$20million of stock that was held in their offshore consolidation warehouse. As fulfilment work was considered essential across the globe, packing and shipping of orders were permitted to continue with containers directly shipped to Australian states that were best placed to quickly process orders with consideration for locked-down local areas.

#### The Results

**The transition to this solution resulted in establishing a regular flow of stock to stores and a 25% reduction in logistic costs.**

As a result of shifting from a 'just in time' inventory model, production lead times were vastly improved as goods are delivered to the distribution centre three months in advance. This allows for better marketing functions, with promotion and sales planning guided by instantly available stock. Likewise, the stock ordering process for stores was simplified, with an on-demand ordering system implemented through electronic data interchange.

"IFC Global Logistics and Warehousing's innovative new supply chain model improved speed to market, reduced supply chain costs and increased Total Tools' capability during 2020 to combat the challenges presented by Covid19."

**Ross Matthews**

GM of Supply Chain Total Tools