IBM ILOG Product Flow Optimization

Powerful, easy-to-use strategic stocking and distribution solution

Specialized stocking and distribution strategies

Companies with global supply chain flows, particularly distributors and retailers, have multiple paths to deliver products to customers. The complexity of these supply chains, which often contain numerous stock keeping units (SKUs) with unique characteristics, requires specialized stocking and distribution strategies to achieve optimal performance.

Analyze trade-offs to optimize product delivery path

IBM ILOG Product Flow Optimization (ILOG PFO) is a powerful, easy-to-use strategic stocking and distribution solution. It helps businesses to analyze trade-offs between transportation, warehousing, inventory carrying costs and service requirements to determine the optimal product delivery paths to customers. Companies improve profitability and meet customer requirements through solutions that can be

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Highlights

- *Minimize total landed cost*

- *Optimize product distribution based on demand*

- *Optimize inventory levels*

- *Better match production to stock*

- *Cut distribution costs*

- *Enhance ERP and APS applications*

- *Integrate with other IBM® ILOG® solutions*

viewed, compared and easily exported to tables and graphs for presentations and further analysis.

Part of a complete supply chain solution

ILOG PFO is a Supply Chain Analyst (SCA) module. Part of the IBM ILOG LogicTools® Supply Chain Applications Suite, SCA is an integrated set of modules for supply chain and inventory optimization that enables both strategic and tactical planning. Its modules—Inventory Analyst, Product Flow Optimization and Demand Profiler—target specific supply chain problems. They have built-in integration capabilities to easily connect them to other systems, and share a common database that enables users to quickly move from one module to another.
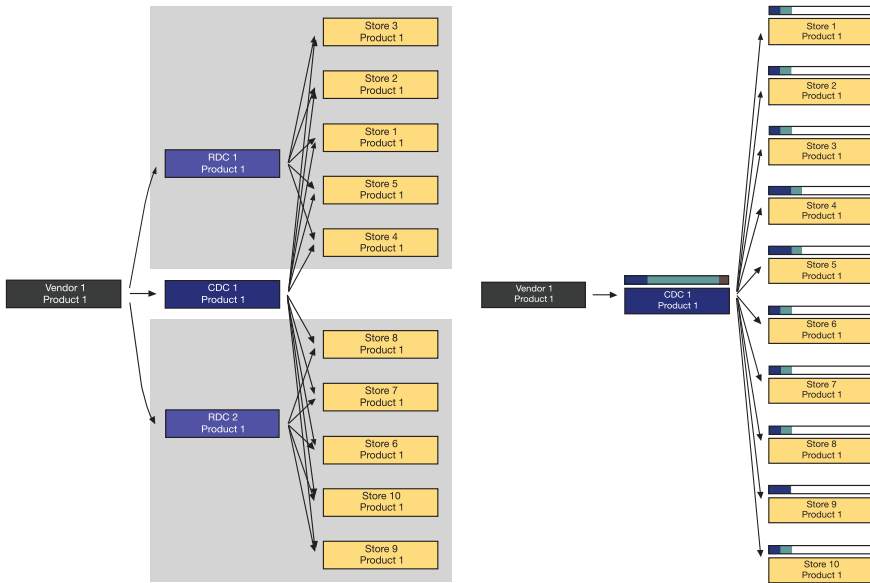
- *Optimize product distribution based on demand*
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Key business issues

ILOG PFO addresses many key business issues, including:

- **Better customer service:** *Optimize the balance between service level requirements and shipping and warehousing costs to improve product delivery times. The ability to respond to customer demands and competitive threats is crucial to revenue growth.*
- **Improve upon traditional make-to-stock processes:** *ILOG PFO determines stocking strategies for different SKUs that can represent significant cost savings for the supply chain by correctly identifying which SKUs should be held in central distribution centers (DCs), which in regional DCs, which in both, and which should not be stocked at all.*

- **Optimize product distribution based on regional customer demand:** *ILOG PFO determines the correct distribution flow for each SKU and customer region, helping companies to realize significant supply chain savings.*
- **Reduce distribution costs:** *ILOG PFO determines the best distribution strategy for each SKU in every customer region to minimize total costs for sourcing, transportation, receiving and inventory.*
- **Optimize inventory levels to meet customer requirements:** *ILOG PFO helps companies determine the levels of inventory needed to maintain customer service goals based on stocking and distribution strategies. What-if analysis capabilities help firms visualize how optimal stocking and distribution strategies change as customer service changes.*

ILOG PFO potential vs. optimal product flows to customers

leadership. Over 250 companies use LogicTools' applications for network design, production sourcing, inventory optimization, transportation planning, and production planning and scheduling. LogicTools solutions complement ERP systems and enable companies to make better decisions faster by optimizing their logistics networks and transportation strategy, setting safety stock levels for their sales and operations planning and improving their plant operations through sophisticated production planning and detailed scheduling.

Functionality

- *Compare lanes as variable vs. fixed*
- *Set different sourcing policies for local vs. distant suppliers*
- *Set different inventory policies for regional vs. local DCs*
- *Include supplier sourcing costs*
- *Define the lowest cost strategy for each SKU and region*
- *Define strategies based on sourcing, transportation and inventory holding costs*
- *Calculate inventory carrying costs*
- *Calculate transportation modes and costs*
- *Calculate warehousing costs*
- *Meet customer service targets*

About IBM ILOG Supply Chain Applications Suite

The IBM ILOG Supply Chain Applications Suite capitalizes on more than 20 years of ILOG leadership in optimization and LogicTools' supply chain customers, expertise and thought

For more information

For more information about IBM ILOG Product Flow Optimizer and the IBM ILOG LogicTools Supply Chain Applications Suite, including customers, contact an IBM ILOG Sales Representative near you or visit www.ilog.com/products/supplychain.

> *"Speed and flexibility of product flow is critical to the retail industry, it provides both a service and cost advantage. The ILOG PFO module provides the capability to position and optimize our existing distribution network to achieve these objectives and prepare and plan for future network requirements."*
> – David Kaduke Director, Logistics Planning Stocking & Distribution Strategy Limited Brands

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