

Distribution Diagnostic Assessment

Mission:

Conduct a rapid, accurate, concise and comprehensive High Level Diagnostic Assessment of a client's Distribution and Supply Chain Operations.

Purpose:

Understand the current state of the client's business enterprise to prescribe the most powerful short-term and long-term changes in the client's Supply Chain and Logistics operations that create massive increases in operating cash flow.

Action Steps:

Non-Disclosure:

Enter into a Mutual Non-Disclosure Agreement that protects the client from disclosure of confidential materials by DKS&CO, and protects DKS&CO from disclosure of our proprietary analysis methods by the client.

Financial Analysis:

Typically using the past 5 years of financial data for the company contained in the year-end balance sheet and income statements, we examine the **3 dials of business health** and **6 levers of business control**. (*We can use as little as 4 quarters of data.*)

Dials

Operating Cash Flow (OCF)

Earnings (EBITDA)

Return on Assets (ROA)

Levers

Receivable Days (DSO)

Inventory Days (DoS)

Payable Days (DPO)

Margin

OPEX & SGA

Revenue

Using proprietary financial analysis tools and industry benchmark data (both general industry and sector specific data) we examine the key factors (vital signs) driving the financial performance of the client's business. Armed with this analysis we model the *potential opportunity of return* that different changes in the operations will have upon operating cash, earnings and return on assets. Each business is different, and the analysis pinpoints areas of attention for the physical assessment and the priority of changes to maximize return.

Physical On-Site Assessment:

The physical assessment examines 10 key operational areas:

- Inbound Logistics
- Receiving
- Inbound Stocking
- Inventory Control & Audit
- Material Handling & Storage
- Order Selection
- Packing and Shipment Prep
- Shipping & Outbound Logistics
- Maintenance
- Administration

Some assessments include a review and analysis of supporting/interfacing functional departments such as Purchasing, Inventory Management, Production Planning, Manufacturing, Customer Service and Sales to reflect the client's business.

In the assessment:

- We observe the operations to determine and assess the processes, procedures, policies and practices of the operation.
- We collect relevant production data the management team uses.
- We interview key personnel, supervisors and managers to gain a sense of the team's knowledge of general logistics and warehousing operations best practices. We learn in the interview the key challenges that operation faces from that individual's perspective.
- Sometimes we conduct reasonable time studies of specific operations.

Deliverables:

1. Live Presentation-

Immediately after the physical observations, in a 90-minute interactive meeting we present to local management the results of our financial analysis and a rough assessment of the operations. We highlight a number of actions that management can immediately take to address safety, risk or *quick hit* production improvement opportunities.

2. Written Executive Summary-

Within 1 week of the onsite assessment, we present to the client a brief *executive summary* presentation report. The report includes exhibits of the financial analysis, a recap of the key observations and a list of quick hit and long-term improvement recommendations and *expected returns*. We can present the Executive Summary in a live on-site meeting, via web meeting, or solely as a printed report.