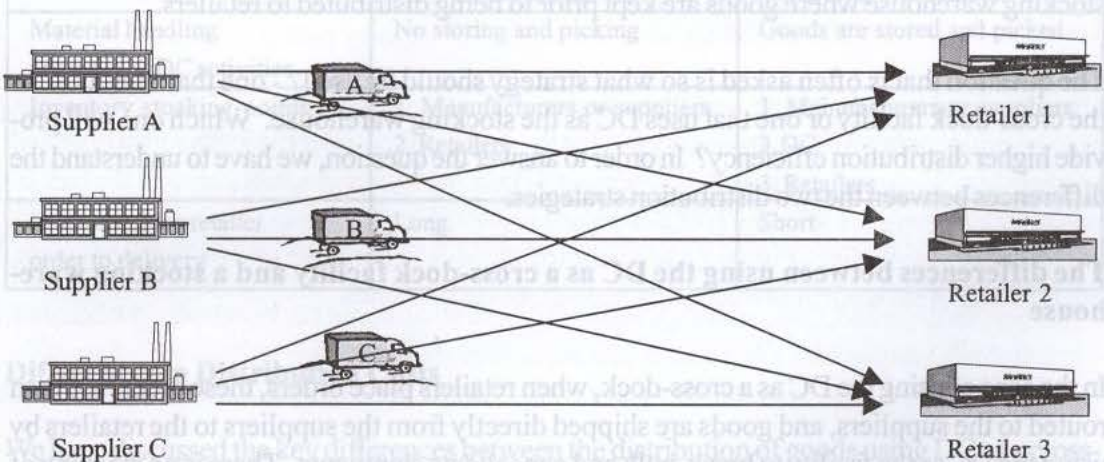


DISTRIBUTION STRATEGY THROUGH A DISTRIBUTION CENTER

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The strategy of distributing goods to the end consumers or retailers through a Distribution Center (DC) has been widely adopted, especially by those in the retail business. This strategy configures the logistics network to have a DC as the center to break-bulk the shipments from manufacturers or suppliers, and then consolidate the shipments that will go on the same route together for distribution to the end consumers or retailers. The key advantage of utilizing a DC as part of the logistics network is economies of scale because we can utilize bigger transport vehicles. In addition, the shipments to the retailers can be made more frequently without compromising the economies of scale of utilizing bigger transport vehicles. As a result of higher shipment frequency, the retailers have lower burden of keeping inventory, and at the same time the availability at retailers is improved. Figure 1 shows the distribution strategy through a DC.

Figure 1: (a) Direct distribution



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