

Evaluation of Transshipment Strategy at Jerónimo Martins

❖ Problem Statement

Jerónimo Martins (JM) is a Portuguese company which is doing business into distributing and selling food products and other consumer goods. The company's mission is to provide the high-quality service to the customers at lower cost. They focus on achieving this lower operational cost through supplier relations, transportation & their internal storages. This case study is about understanding and evaluating the decision made by Jerónimo Martins to implement transshipment between its own warehouses. Their transportation cost is 46% of the total logistics cost which is equivalent to 1.5% of total cost to the company (Coyac, 2014). Although transshipment strategy could help them to lower down their cost and improve flexibility, but they were unsure about its complexity and unclear cost-benefit breakdown for involved parties.

❖ Solution

So, to evaluate the implementation of transshipment strategy, the trade-off analyses were done to compare both the cases - with or without transshipment. For this analyses, six factors were selected in this decision-making process (Coyac, 2014).

Factor	Case 1 With Transshipment	Case 2 Without Transshipment
Transportation Cost	+	-
Operational Cost	+	-
Inventory Cost	-	+
Agility	+	-
Customer Service	+	-
Supply Expense	-	+

{ '+' = tends to increase; '-' = tends to decrease }

This trade-off analyses shows that, the transportation cost and operational cost will increase if transshipment strategy is adopted but the other four factors (Inventory cost, Agility, Customer Service level, & Supply expense) were in the favor of transshipment. Hence, adopting transshipment was found to be more beneficial for Jerónimo Martins.

❖ My assessment

This case study disproves the hypothesis that, Transshipment strategy is always beneficial for any type of supply chain operation. In fact, this explains both the challenges and benefits of Transshipment model. As a management science student, I would like to extend this solution by calculating the % of transshipment and optimal mix of products. Because It might be possible that by calculating these two numbers we might lower down the total transportation and operational cost factors. This will support the JM's decision to adopt the transshipment strategy.

❖ References

1. Coyac, Camille (2014). Analysis and Improvement of Transshipment Operations in Jerónimo Martins. *Instituto Superior Técnico*. Retrieved from:

<https://fenix.tecnico.ulisboa.pt/downloadFile/1126295043834784/70496-Resumo%20Transshipment.pdf>

2. <https://www.jeronimomartins.com/en/>