





competition.

**Rail:**

inexpensive for carload lots. Requires more packing material or must allow for rough handling, somewhat slow however freight forwarders, piggyback truck, and double stack containers offer cost savings for users.

**Sea transportation:**

ideal for heavy, low-value non-perishables but have high fixed costs weather can be a problem. Containerization and improved ports allow for expansion in new products and markets.

**Air:**

high costs, so only suitable for high value or urgent or perishable items:  
weight and locations limited  
saves inventory holding costs  
important in international trade.

**Mail:**

low costs, only suitable for non-perishable, non-fragile items  
weight limited  
important in international documents trade.

**WHY WOULD YOU CONSIDER OUTSOURCING SOME OR ALL OF YOUR DISTRIBUTION:**

Decisions for owning or contracting-out transport consider:  
total cost reduction  
this area is not your core focus  
to improve customer service  
flexibility  
to use the provider of the services management skills  
reduce your own staff levels  
return on investment.

**DISTRIBUTION WAREHOUSES**



Number and location of distribution warehouses are based on:  
customer service needs  
available transportation services  
cost trade-offs.

**KEY PERFORMANCE INDICATORS:**

Performance can be assessed based on:

distribution system flexibility:  
response time to special requests

distribution system information:  
speed, accuracy and message detail of response

distribution system malfunction recovery:  
efficiency to recover from malfunction (errors in billing, damage, claims).

Cost to service your customers.

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