

ABSTRACT

Distribution is important part of companies' activities and can be as much as 30% of total cost related to logistic activities. Creating efficient and effective distribution and transportation network for companies can affect their profitability. Current thesis investigated possibilities to increase effectiveness of distribution activities with applying shipment consolidation strategies. Purpose of the thesis was to establish what possibilities are for a company with several factories in different locations to achieve shipment consolidation and lower transportation costs and how the company should evaluate the strategies.

Research covered four factories in Estonia and Finland, which serve same customers. Current distribution model includes direct shipment from the factories to the customers, which results in several shipments to the customer for one order. Scenario analysis in current research consisted of three different central warehouse opportunities to enable consolidating shipment to end- customers. Scenarios included central warehouse in Estonia, which is near to biggest factory, central warehouse in Finland, which is close to main market and two central warehouses in Estonia and Finland to consolidate output of the factories in both countries. Transportation costs to customer for consolidated shipments decreased by 13-17 % for all scenarios, but due to low share of consolidated shipments and added transportation costs to central warehouse, no decrease for transportation costs was achieved. Total costs for company decreased for scenarios based on decreases in warehousing costs in external warehouses.