



SOPHUS

The illustration depicts a city street grid from an isometric perspective. Several roads are highlighted with glowing green lines, forming a complex network. Labels for various network design factors are placed along these paths: 'COST' appears on three different green paths, 'SPEED' on two, 'GROWTH' on one, and 'RESILIENCE' on a grey path. The city includes modern buildings with large glass windows, some of which are illuminated from within. Various vehicles like cars, trucks, and motorcycles are scattered throughout the scene. Drones are also visible, some hovering and others in flight. The overall color palette is dark with green highlights and white text.

Why Annual Network Design Cycles **No Longer Work**

Jon and Mark caught up recently and grappled with the question
"exactly what are we trying to do with optimisation?"

01 · Best for what?

- Jon** We spend a lot of time in this industry talking about network design as though the objective is obvious. Find the best network. Reduce cost. Improve service. Increase resilience. But the more I think about it, the more I come back to a simpler question: best for what?
- Mark** Exactly. There is no such thing as a perfect network in isolation. A network only makes sense in the context of what the business is trying to achieve. If the strategy is to become the lowest-cost operator, you will make one set of choices. If the ambition is to grow parcel share rapidly, improve service or build greater resilience, you may make very different ones.
- Jon** And that feels particularly relevant in postal organisations because there are often several competing objectives at the same time. You might be managing declining mail volumes, trying to grow parcels, modernising infrastructure, responding to new competitors and still maintaining national service obligations.
- Mark** Which is where the difficulty starts. All parts of the business may be aligned on achieving lowest cost per unit, service coverage and lowest emissions. Different parts of the business can all be making perfectly rational arguments, but they may be working towards different definitions of success and how that is achieved.. None of those positions is necessarily wrong, but they do not automatically lead to the same network.

Four rational arguments, four different networks

Finance

Asset reduction and lower fixed cost

Operations

Resilience and spare capacity

Commercial

More delivery options

Technology

Standardisation

02 · Downstream questions

- Jon** So the danger is that you start a network-design exercise before the strategic priorities have really been resolved.
- Mark** Yes. And then the discussion very quickly becomes about facilities, routes, automation, transport costs or operating methods. Those are important, but they are downstream questions. Many will already have been improved in isolation, delivering useful but incremental gains. The bigger question is what role the network needs to play in the business strategy, because that is what allows an organisation to challenge long-held assumptions and make more substantial changes.
- Take resilience. If you are purely focused on short-term cost, some spare capacity may look inefficient. But if the business strategy depends on absorbing growth, disruption or seasonal peaks, that same capacity may be valuable optionality. Likewise, a facility that looks expensive in a rationalisation programme may be strategically important if you expect to enter a new market or support a different delivery proposition.

Jon Which suggests that network strategy is really the physical expression of business strategy.

The network is where strategic ambition becomes operational reality.

If the business says it wants to offer faster delivery, greater customer choice or more out-of-home options, the network has to support that. If the business wants to become more asset-light, prepare for a sale or consolidate after an acquisition, the network implications are completely different.

Mark

03 · What modelling is for

Jon That also changes the role of modelling. The purpose is not to ask the model to tell you what the strategy should be.

Mark No. A model cannot decide what business you want to become. What it can do is show you the consequences of different choices.

The questions a model can answer

01 If you want a service-led strategy, what does that cost?

02 If you want more resilience, how much additional capacity or duplication does that require?

03 If you want to accelerate parcel growth, where will the constraints emerge?

04 If you want to move more volume into lockers, what happens elsewhere in the network?

Mark That is where modelling becomes strategically useful. These are big decisions made in an imperfect world, and the objective should not be a model or a single theoretical optimum. It should be an informed executive decision, supported by visible trade-offs, cross-functional alignment and a commitment to keep challenging the assumptions as circumstances change.

Jon And sometimes it may expose that the original business ambition is not realistic.

Mark Absolutely. Strategy and network design should not be a one-way sequence where the board sets the strategy and the network team simply implements it. The process should be iterative.

You may start with a commercial ambition and then discover that the investment required is much higher than expected. Or you may find that an apparently expensive network option creates much more flexibility than a lower-cost alternative. That information should feed back into the strategic discussion.

04 · The better question

Jon So perhaps the mistake is asking, "What is the optimum network?" too early.

Mark I would go further. In many cases, it is the wrong question. We would all like to have the time and investment budget to deliver a perfect network, but rarely do we have that luxury.

The better question is: **"What are we trying to optimise for?"** Once that is clear, you can establish firmer guiding principles, evaluate the options, discard some and explore others in greater detail.

Jon Which feels especially important now because postal operators are facing such different possible futures. Some will focus on cost and efficiency. Some will pursue parcel growth. Some may become broader delivery platforms. Others may partner, consolidate or specialise.

Mark And those choices will produce different networks. There is no universal answer. The right answer may differ by product format, geography and over time.

That is why business strategy and network strategy have to remain connected. Otherwise, you risk doing a technically excellent job of optimising a network for a business model the organisation no longer wants.

Jon So the starting point is not the network map.

Mark

**No. The starting point is deciding where the business is going.
Then you can design a network capable of getting it there.**



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