

Discount Retailer Doubles Capacity to Keep Pace with Growth



“With this new distribution center, we will reduce supply chain costs while improving merchandise allocation and delivery times to our stores...”

Chairman of the Board

A leading discount department store catering to budget-conscious, fashion-seeking shoppers of clothing, accessories and home décor was growing rapidly. Growth was quickly exceeding DC operational capacity and impacting their ability to service stores, especially during peak season.

Their “flow through/push” distribution model meant that large volumes of inventory arrive in August through October to be shipped to stores in time for the holiday shopping season. The timing of that inventory arrival on store shelves can make-or-break the season’s sales. If merchandise arrived late in stores it could mean significant missed sales opportunities.

THE CHALLENGE

The company had a single DC in the Midwest which was operating at 90% capacity with 80 stores. Rapid growth over the previous couple of years saw them grow to more than 100 stores. Growth was expected to continue at a rate of 10% YOY. With limited space in the existing DC and a number of changes made to the operations over time, the facility didn’t flow well.

By the time peak season came, they were out of space, which caused the DC to get backed-up and product to arrive late in the stores, forcing markdowns to be taken to make way for the next season’s merchandise. They were storing overflow inventory in a trailer yard which would also become gridlocked during peak. They could no longer quickly allocate and deliver the products to their stores. In order to please customers with their seasonal assortment and continue growing and adding new stores, they needed to alleviate the capacity crunch and improve productivity to keep product flowing to shelves.



THE SOLUTION

The decision was made to add a second DC. Fortna helped design and implement a new automated, greenfield DC that includes Put-to-Light (PTL) lanes for store pack groups (Men's, Women's, Juniors, home goods, fragrances, etc.), garment-on-hanger (GOH) trolley sorter for optimum throughput, and Print and Apply (PandA) lines to significantly increase productivity



and provide valuable visibility to carton contents for store backroom operations. A dual-use sorter handles both receiving and shipping and provides a streamlined ship palletizing and staging flow for dedicated store deliveries. Layout and system functionality is designed with flexibility to meet future objectives for high ASN and automated receiving volumes for immediate processing and flow through.

Additionally, the site was designed as a 10-year investment with room to expand as the company continues its growth. The expansion capability can be used to expand eCommerce capabilities and/or service additional stores.

THE RESULTS

Business is enabled for 2x growth and they are positioned to increase the frequency of deliveries to stores as the need arises. The 12% productivity improvement called for in the business case has been exceeded. And there have been no back-ups in the DC during peak since implementing the new facility. Systems now support higher visibility to work-in-progress in the DC to help optimize staffing and throughput.

In addition to the productivity improvements and benefits achieved in the new DC, the original facility operations are flowing more smoothly now that some of the load has been shifted to the new facility. And by locating the new facility closer to a portion of the company's customer base, they were able to reduce the time it takes to deliver to stores and achieve additional transportation cost savings.

For more information, contact The Distribution Experts at info@fortna.com.

“ With Fortna, you get a long-term relationship. You get a true business partnership. And you get a tremendous amount of expertise and a wealth of talent that they bring throughout the project. They're going to be by your side working with you to make the project successful.”

EVP and COO

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