

Heavy-duty Growth Demands a Heavy-duty Distribution Operation



A privately-held industrial products manufacturer/distributor with \$2 billion+ in annual revenues was experiencing double-digit growth. They supply heavy-duty tools and accessories for everyone from professional tradesmen and hobbyists to do-it-yourselfers. They also list several big box retailers such as Home Depot, Grainger, MSC Industrial and Ace Hardware as customers.

To better service these customers and expand operations to enable rapid growth, the company engaged Fortna to consolidate four existing facilities into a new 600,000+ square foot distribution center.

THE CHALLENGE



Growth was being constrained by a lack of capacity and the inability to service customers. The company was forced to quickly increase capacity by adding nearby facilities. But as the volume grew, so did costs – from additional leasing fees, management and support requirements, transportation between facilities, and labor for additional handling at multiple sites. The company began automating specific processes within the warehouses but still lacked an overall plan for optimization. In addition, inefficient material flow and media slotting was holding back their growth.

This company's business is complex due to variable order profiles – large bulk orders in cases and pallets for Home Depot's regional distribution centers, smaller orders with multiple lines for industrial distributors like Grainger and MSC Industrial, plus unit picks for smaller retail hardware customers. Its largest customers have extensive requirements for VAS (kitting) and labeling that the company needed to perform.

Additionally, as a brand known for innovation, the company regularly introduced new products, increasing the SKU count with each new product line and with the acquisition of a supplier.

Lack of systems integration was hurting inventory visibility and adding support costs. The limitations of the existing warehouse management software required costly workarounds and added more complexity to the operations. Working out of multiple sites was eroding margin, reducing productivity and causing service failures as the coordination of orders between facilities became more and more challenging. Accuracy suffered. Shortages,

substitutions and stock-outs increased – all of which was costing the company in excessive returns and/or charge backs from customers who expected the perfect order every time.

THE SOLUTION

Fortna designed and implemented a single consolidated facility to handle their complex requirements and capacity needs and gave them the flexibility to adapt to future needs and growth projections. The greenfield DC was to be located close to existing facilities to take advantage of the knowledge base of the company's experienced workforce and show the company's commitment to its associates' years of loyal service.

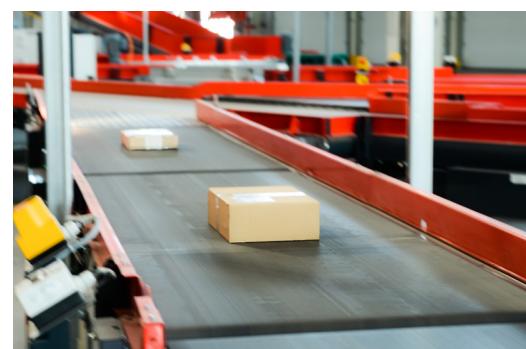
As part of the project, Fortna helped the company develop a roadmap outlining tipping points, so the company could readily identify when they needed to make additional investments to support further growth. Fortna also helped slot the new DC to maximize operational flexibility and facilitate faster order processing.

In addition to the design and implementation of the new DC, Fortna implemented its FortnaWCS™ warehouse execution system and led a systems selection and integration of WMS software with their existing systems. Fortna's training and 24/7/365 support helped ensure a smooth transition to the new facility. The new systems also helped with managing slow-moving vs. core SKUs, split shipments between multiple DCs, eCommerce orders, and geographic assignment for store replenishment.

After a successful Go Live of the new building, exponential growth continued and the company engaged Fortna for a multi-phase project that would expand capacity. The first phase included installing additional carousels, adding a level to an existing pick module, implementing an order consolidation area and adding a designated area to handle VAS. The second phase included a 225,000 square foot retrofit expansion project that added storage media to meet capacity requirements and four single-level pick modules to ensure the flexibility needed to adapt to rapid change/growth.

"We were operating out of four buildings (consolidated) into one facility... and our customers did not even know we moved."

VP, Distribution & Customer Service



THE RESULTS

The new optimized DC has enabled this industrial products distributor to alleviate capacity problems and enable continued growth. Fortna continued to work on strategic initiatives that would allow them to double in growth over the next three to four years. Without changes to its distribution operations, that projected growth, along with revenue and margins, would have been stifled. The company has achieved improvements in productivity (30%) and throughput capacity and can process orders faster than ever – from 3 days to less than one day, with 99.82% accuracy. They effectively ship twice the volume, with zero service issues. And they are operationally equipped to flexibly handle a variety of order profiles plus any changes that arise, including additional SKUs from new product lines and acquisitions. Further, they can easily add new customers with their own unique order profiles. Innovation is now fully enabled and supported by a distribution operation, ensuring customer confidence and satisfaction.

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

THE DISTRIBUTION EXPERTS™

Fortna partners with the world's leading brands to transform their distribution operations to keep pace with digital disruption and growth objectives. Known world-wide as the Distribution Experts, we design and deliver intelligent solutions, powered by FortnaWEST™ software, to optimize fast, accurate and cost-effective order fulfillment. Our people, innovative approach and proprietary algorithms and tools, ensure optimal operations design and material and information flow. We deliver exceptional value every day to our clients with comprehensive services including network strategy, distribution center operations, material handling automation, supply chain systems and warehouse software design and implementation.

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