

MSC Drives Customer Service Up and Cost Down



MSC Industrial Supply Co. needed to increase distribution capacity to handle its explosive growth and continue to deliver the high levels of customer service its customers had come to expect. In addition, the company needed to drive down its rising cost-to-serve. MSC teamed with Fortna to redesign its fulfillment operations. Order cycle time was cut 75%, enabling MSC to improve customer service, take on more business, and keep its promise to customers. The result was the biggest cost-cutting initiative in MSC's history.

THE CHALLENGE

MSC is an industrial supply leader with over \$2 billion in revenue, over 100 branches, and more than 600,000 products in stock. Organic growth and acquisitions were straining its distribution capacity and causing its cost-to-serve to rise. In addition, MSC needed to continue to meet its exceptional service commitment that any qualifying order placed before 8:00 pm be delivered the next day. MSC turned to Fortna to help build the capacity to handle this growth and continue to deliver on its high customer service promise.

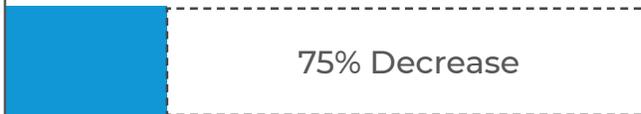


Order Cycle Time (Print-to-Ship)

Before: Over 3 hours



After : 45 minutes



THE BUSINESS CASE

The team began by analyzing MSC’s line and SKU velocity history to find correlations that would lead to a smarter way to organize the distribution center and lower MSC’s cost-to-serve. Based on the analysis, Fortna recommended a business-transforming approach to MSC’s fulfillment operations. The changes would impact business processes, software systems, equipment and personnel.

Fortna developed a prototype operation to prove the value of the change. The prototype showed that a significant decrease in order cycle time (print-to-ship) was possible.

With that success in hand, Fortna teamed with key MSC stakeholders to tie every aspect of the project to a comprehensive financial model. The model helped MSC’s management justify the investment to the company’s board. It also created a measurement tool to ensure the project’s overall success.

THE SOLUTION

The optimization project began at MSC’s Harrisburg, Pennsylvania facility. Changes were made to the picking, consolidation and packing processes.

Under the old model, when a customer ordered more than one item, a pick ticket would be printed and distributed to a merchandise selector in the first pick zone. They would locate one item and place it in a tote. The tote was then passed to another area of the DC, where other people would locate the rest of the items in the order and place them in the tote. The model was inefficient, and putting more resources on it actually resulted in a decrease in productivity.

The new paperless RF picking process sends each order electronically to merchandise selectors in waves. Associates pick the items in their areas and place them in totes that are then consolidated (multi-line) or are sent straight to packing.

The changes were so effective that they were implemented in other MSC facilities.



THE RESULTS

MSC's investment produced significant results, including:

- Reduced order cycle time (print-to-ship) by 75%
- Improved productivity by 60%
- Improved associate morale
- Increased operating capacity

It was the single biggest cost-cutting initiative in company history.

And the project was implemented in a live environment with no disruption to customer service. The newly efficient distribution centers have allowed MSC to take on more business while increasing customer service.

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

“Partnering with Fortna was a smart investment that surpassed our ROI goals and gave us a better way to run our operations. We lowered our cost-to-serve and exceeded our customer service objectives.”

Doug Jones
EVP, Global Supply Chain
Operations

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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