

O'Reilly Accelerates Network Growth with Acquisition



When O'Reilly Auto Parts acquired CSK, the race was on to merge both companies' distribution operations. The two companies had very different models and market strategies. To maintain service levels and deliver immediate financial results, O'Reilly needed to shift the integration into overdrive. They called on Fortna to help.

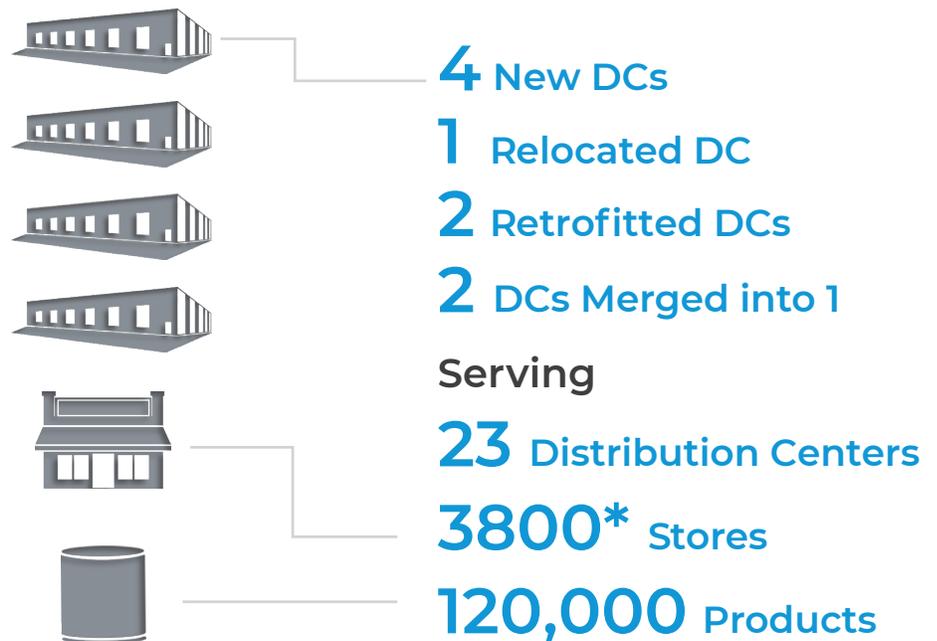
THE CHALLENGE

By acquiring a large competitor, O'Reilly aimed to increase market share and gain economies of scale. But the integration of the two company's distribution networks would be tricky. The companies had different distribution models. O'Reilly offered daily replenishment and piece picking. CSK offered weekly replenishment and focused on case/bulk picking. The planned move to daily replenishment would not be possible with CSK's existing distribution centers (DCs).

Compounding the challenge, O'Reilly was moving forward with a long-planned expansion of their existing distribution operations to support their organic growth. Coordinating a massive integration, while simultaneously expanding the existing network, would be a complex task.



IN UNDER 24 MONTHS:



But, perhaps the biggest challenge was the time frame. The entire integration had to be completed in under 24 months to seize the opportunity to service both the do-it-yourself retail customer and the professional installer markets.

Due to the complexity, scale, and speed required, O'Reilly teamed with longtime partner, Fortna.

THE SOLUTION

The first step was to assemble all the stakeholders involved to discuss alternatives to maximize the two companies' inventory, real estate, distribution assets, labor, and transportation, while improving service levels to both customer segments.

The final plan included:

- Building four completely new DCs
- Relocating one DC to a new site
- Retrofitting two existing facilities
- Consolidating two DCs into one

But the implementation would not be easy.

To meet the tight timeframe, tasks would have to be implemented in tandem. For example, stocking and receiving would occur in one section of the building while material handling equipment was being installed in another. Managing the shared resources and concurrent tasks would require superior program management.

Each facility would need its own design requirements based on each DC's product mix, volume, and physical building size. To leverage volume discounts, all of the material handling equipment would be purchased under a master agreement. Special care would be needed to find vendors that could handle the large volume while meeting quality and schedule requirements.

The retrofits to the existing distribution centers would have to occur while in production and be invisible to their customers, the O'Reilly retail stores.



THE RESULTS

In just two short years, every one of the projects was completed on time and under budget.

Now O'Reilly has a fully integrated, 23-facility distribution network that serves over 3,800 stores with over 120,000 SKUs. The company has accomplished its integration goals and has a strong foundation to confidently expand into new markets.

The company is well positioned for future growth. But the real payoff is for O'Reilly's customers. Since 2008, the number of O'Reilly stores has more than doubled. And customer service levels are high, with every store getting daily replenishment of a broad number of products.

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

“Every Fortna project was completed on time and under budget. I am very pleased with the track record that Fortna has with O'Reilly Auto Parts and am proud to be their partner.”

Greg Johnson, Senior Vice President, Distribution Operations, O'Reilly Auto Parts

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 FortnaWES™ 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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