

Throughput Improvement in Regionalized Distribution Centers

Background

- **Three commercial kitchen suppliers were merged into one entity, requiring a radical DC network redesign DURING integration.**
- **The remaining facilities were not equipped to handle the volumes and inventory.**

Actions Taken

- **With “Point-of-Sale” analysis, identified the ideal three locations for efficient and economical distribution at the lowest cost.**
- **Within the remaining facilities, balanced work and designed a parts flow (stabilize the operation)**
- **Defined operator & supervisor roles and responsibilities (standard work & leader standard work)**
- **Created goals and tracking board (day-by-hour)**

Measurable Results

- **Reduced the overall cost of distribution by 42%**
- **Increased order processing volume between 20% and 35% at the remaining facilities**
- **Exceeded customer service target levels**

Our Private Equity client merged three acquired commercial kitchen product suppliers into a single company. Stability for this integration required the consolidation of seven facilities into 3 without interrupting customer deliveries. The remaining facilities were not prepared for the additional volumes and scope. Poor ill-defined work processes and managerial focus resulted in marginal customer service levels, high OS & D, outdated and obsolete inventory, poor inventory management discipline which hindered their ability to operate effectively (and prevented them from maintaining their FIFO inventory design).

When the new CEO began putting pressure on the organization to meet its year-end objectives of full integration, the company engaged The ProAction Group to lead its effort for increased throughput and facility floor discipline.

ProAction led the management team through the following steps to address the situation:

- **Modeled the Distribution Network.** Using the combined sales data of the three organizations, the ProAction team quickly created and defined an efficient cost model of regionalizing the distribution based on service and cost parameters that exceeded the prior customer requirements.
- **Consolidated Locations.** Consolidation from seven to three facilities, each distributing like product regionally, enabled standardized material flow design within each of the remaining facilities.
- **Re-designed the DC layouts and processes.** ProAction used proven tools, methods, and its consultant's experiences to create balanced work flow for all facility requirements, receiving, put-away, order fulfillment, inventory management, shipping, and other standard work. We used Lean methods including Kaizen events, 5S, Quick Changeover, and Visual Management in the process of creating the requirements and flow.
- **Enhanced Productivity.** Warehouse Associate downtime was another significant drain on order fulfillment velocity and throughput. We eliminated associate waste by leaning out pick processes and procedures.
- **Increased Throughput.** We also developed targeted throughput goals for each work area and a visual management board to report and monitor output improvements.

The focused initiatives had a striking impact:

- The 3 remaining facilities absorbed the other 4 locations without adding ANY staff. Overall, the consolidation reduced the total cost of distribution by 42%.
- Throughput **increased significantly** at the remaining 3 facilities (between 20% and 35% depending on the location).
- Improved pick times between 15% and 30% depending on the location.
- Inventory accuracy improved from less than 80% to 99.4% **at the poorest performing location.**
- Aged and obsolete inventory was eliminated enabling acceptance of additional product to service the increased demand
- Visual controls and the new layout enable management to observe and monitor performance

For Further Information

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About The ProAction Group

ProAction is an operational consulting firm that works with Private Equity to do three things:

1. Help you win good deals (and avoid bad ones!) through our pre-close “QofO”.
2. Help your management teams as they transition from an entrepreneurial approach to a scalable, process driven leadership path.
3. Help you maximize the value of your portfolio companies through the implementation of operational excellence.

We focus on three sectors: consumer products, manufacturing and distribution. We have experts in Lean Manufacturing, Six Sigma, Sales and Operations Planning, Inventory Strategy, Sourcing, Logistics and Human Capital Development. We were founded in 1995 and are headquartered in Chicago.

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