



Optimal Throughput Distribution Centers

Background

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

Our Private Equity client merged three acquired commercial kitchen product suppliers into a single company. This required the consolidation of seven distribution centers into three without interrupting customer deliveries. These centers were not prepared for the additional volume or scope.

Poorly defined work processes and lack of managerial focus resulted in marginal customer service levels, high Over-Short-(and) Damage, with outdated and obsolete inventory. Poor inventory management discipline hindered operational efficiency and prevented maintaining a First In First Out inventory design.

The new company CEO began pressuring organizational leadership to meet its year-end objective of full integration. The Private Equity firm caused the new company to engage The Fennimore Group to lead increased throughput and shop floor (facility) discipline initiatives.

Actions Taken

- Using “Point-of-Sale” analysis, we identified three ideal locations for efficient and economical distribution at the lowest cost.
- Balanced work and design flow stabilized the operation.
- Defined standard operator & supervisor roles and responsibilities around standard work definitions.
- Created hourly / daily goals posted to a tracking board.

Fennimore led the management team through the following:

- **Distribution Network Modeling.** Using consolidated sales data, the Fennimore team quickly created and defined an efficient cost model which regionalized the distribution network based on service parameters (capacity and timeliness) and total cost to serve.
- **Consolidated Locations.** Three centers with each distributing like product regionally. This enabled efficient material flow design at optimal order fill rates.
- **Redesigned DC layouts and processes.** Fennimore used proven tools, methods, and its industry expertise to create balanced workflow for all service requirements including receiving, put-away, order fulfillment, inventory management, shipping, and other standard work processes. The use of **Lean methods, Kaizen events, 5S, Quick Changeover, and Visual Management** greatly enabled the design process of creating final requirements and end to end order flow.
- **Enhanced Productivity.** Fennimore eliminated over 80% operating waste by leaning out pick processes and procedures. Warehouse downtime had been a significant drain on order fulfillment velocity.
- **Increased Throughput.** Fennimore developed targeted throughput goals for each work area and a visual management optic to report and monitor output improvements.

Measurable Results

- **Reduced the overall cost of distribution by 42%**
- **Increased order processing volume between 120% and 135% at the remaining facilities**
- **Exceeded customer service target levels**

Focused initiatives delivered impactful results:

- The entire business volume was absorbed without adding **ANY** staff.
 - The new network reduced the total cost of distribution operations by 42%.
 - Throughput more than doubled (120% to 135% depending on the location).
 - Pick times improved between 15% and 30%.
 - Inventory accuracy improved from less than 80% to 99.4%
 - Aged and obsolete inventory was eliminated enabling acceptance of additional product to service increased demand while freeing total cash invested in inventory.
 - Visual controls within the new layout enable management to observe and monitor performance.
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