

# CONSOLIDATING OPERATIONS

Network consolidation sweeps up supply chain inefficiencies for leading environmental cleaning solutions company

Industrial

## Challenge

Consolidate eight regional distribution centers  
 Reduce costs and improve customer service levels  
 Leaner and more efficient supply chain  
 Improve order fill rate

## Solution

Distribution center consolidation network analysis  
 Single distribution center for international and domestic part orders  
 Reshape warehouse design parameters and operating procedures to improve overall performance

## Results

**20%** Reduction in days on hand inventory

**99.5%** On time shipping

**99%** Orders processed same day

**✓** Asset reduction

As corporations grow, processes and systems require constant evaluation to ensure they effectively support ever-changing demands. This is often the case with supply chains. Companies' needs change, and sometimes this means an outmoded distribution network needs immediate attention. This was precisely the situation encountered by a leading manufacturer of indoor and outdoor cleaning solutions. The company supplied product to market through several distribution centers in North America. But persistent expansion created new supply chain demands, making the existing systems complex, costly and almost obsolete.

### → The Challenge

Over time, the manufacturer's network of distribution centers increased to address product demand, provide timely delivery to customers and service a nationwide network of service technicians. This dispersed distribution system of eight facilities was becoming unwieldy and presented inventory management challenges. Rationalizing the network became difficult. An opportunity for increased efficiency and cost savings also existed.

The customer turned to Exel to address its primary operational challenge: a smart consolidation. The team needed to streamline the regional distribution network located across the United States and Canada into one facility that handled international and domestic parts orders. That same facility also needed to include international finished goods shipments for the company's commercial division.

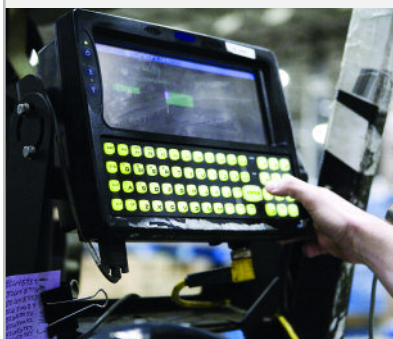
"Our ultimate goal was to reduce costs and improve customer service levels," said Brian Sayers, director of operations for Exel's Industrial business unit. "But the immediate challenge for Exel was to analyze, design and implement an updated network system behind the scenes without compromising service levels to all stakeholders."

With these goals in mind, the team established the following key metrics for the consolidation:

- Create a "one stop" source for customers
- Define and execute best-in-class customer service levels
- Increase inventory turns
- Improve supply chain cycle time
- Increase reliability of distribution center inventory
- Improve order fill rates

### → The Solution

Exel first conducted a distribution center network design and optimization audit focusing on labor, warehousing, transportation management and IT integration. Based on the results of this review, Exel recommended locating a single, centralized distribution center in Louisville, Ky. The location offered the additional benefit of being in close proximity to a main parcel





## Project Management

**“The program paid considerable dividends to the customer by increasing transportation utilization, reducing overhead and eliminating redundancies. Continuous improvement projects such as facility layout redesigns and increased productivity on the floor have provided year-over-year savings.”**

-Mark Johnson,  
vice president of business  
development for Exel's  
Industrial business unit

hub, which would improve order cut-off time and the overall order-to-customer delivery cycle. Exel's design also built in support for increased transactional volume and maximized the utilization of overall storage space.

An implementation team — led by an experienced project manager — carefully guided every aspect of the consolidation: warehouse design, freight and transportation, inventory control and management, technology, customer service, start-up, training, continuous improvement and beyond. Throughout the project and ongoing relationship, Exel's embedded process-improvement model has continuously challenged and reshaped the design parameters to drive improvements into the overall operation.

### → The Results

“Within 18 months, we transitioned successfully from a large network with excess inventory to one centralized, efficient 195,000-square-foot distribution center,” said Rob Olson, director of development for Exel's Industrial business unit. “This high-velocity center resulted in overall asset reduction with optimized inventory and equipment while serving as a ‘one stop’ source for customers. Enhanced inventory visibility led to improved service responsiveness and order fill rates.”

Over time, this leaner supply chain enabled a reduction of days-on-hand inventory, a primary goal for the initiative.

The success of the project also allowed higher service levels. The company now delivers:

- 99 percent of orders filled same day; 99.5 percent on-time shipping
- Next-day delivery option on all shipments, including the west coast and international where available
- Ability to expedite orders up to midnight local time
- Capability to move more than 80 percent of all parcel shipments via ground transportation, with delivery within 48 hours
- 24-72 hour delivery on all “less-than-truckload” shipments
- Seamless implementation of customer's transportation policies

“The program paid considerable dividends to the customer by increasing transportation utilization, reducing overhead and eliminating redundancies,” said Mark Johnson, vice president of business development for Exel's Industrial business unit. “Continuous improvement projects such as facility layout redesigns and increased productivity on the floor have provided year-over-year savings.”



Contact our  
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Raising expectations.

**A well-planned, consolidated network is the foundation for an efficient distribution system. With that in place, companies can concentrate on meeting their customers' needs and business objectives.**

**Contact us to discuss how we can design your consolidation program.**