

Music Store Retail Distribution

This retailer sells audio and theatrical products in over 1,000 stores across the United States with annual sales above 80 million units. Approximately 50% of the units are distributed in the fourth quarter. The primary distribution center in the Midwest employed over 300 people and a smaller "hits" center employed over 80 people on the East Coast. These distribution centers performed all the typical logistical functions including: purchasing, retail inventory management, distribution, product pricing, stock balancing, and returns processing.

The Problem:

Management had developed an aggressive growth plan that would increase the number of retail stores to over 1,300 stores within four years. The Midwest distribution center was at capacity in storage, picking and shipping. Management had achieved significant productivity improvements over the past several years, but were still realizing poor inventory accuracy and fill rates. They believed further operational improvements to the current system would not increase capacity to meet the growth projections and the fourth quarter requirements. Therefore, they chose to investigate fresh ideas from industry experts and began a nationwide search for a consulting firm.

The Solution:

After narrowing the prospects to 14 firms, TransTech was selected to assist in the design of a world class distribution system. During the feasibility study, corporate distribution objectives were established, a conceptual plan was developed, capacity and staffing requirements were computed, and costs and savings were determined for the next five years. The conceptual design included new material flow patterns, improved storage and picking equipment, picking and shipping conveyor, computer controlled sortation system and a gainsharing incentive system.



Results:

The entire distribution system, including the receiving, replenishment, picking, shipping and returns operations was redesigned and a new computer software system was implemented to control the operations. With the implementation of the software system, equipment design and incentive system, the distribution center realized a 40% productivity improvement and has effectively handled the fourth quarter requirements. The increased capacity and the improved productivity in the Midwest center have provided them with the ability to close the East Coast facility. Also, inventory accuracy has been improved significantly and fill rates are above 99.5%.



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