

CASE STUDY**Lean in
Distribution
Enables Value
Capture****FleetPride Improves Quality and Labor Productivity in Its Distribution and Retail Network, Drives Performance Improvement****Client**

A large independent distributor of heavy-duty truck and trailer replacement parts with 250 branches, 5 distribution centers and 3,100+ employees.

Challenge

After growing through a series of acquisitions, the new leadership wanted to fully capture the benefits of their growth and needed to connect improvement efforts directly to the overall business strategy.

Solution

With CEO support, TBM worked in the distribution centers to standardize receiving, picking and packing processes; improve quality; and save thousands of labor hours in branches. Other efforts improved back office processes and customer service levels.

Results

Kaizen events and short-term projects contributed to a 20% productivity gain which was later replicated at other facilities. In one year, cumulative labor savings, inventory accuracy improvements, and capital avoidance, delivered \$4.9 million in annual savings.

There's no doubt that applying Operational Excellence practices in distribution operations can have a dramatic impact on performance. There are many examples of double-digit gains in productivity and service levels from converting a packaging area to workcells, zone picking waves of orders and re-slotting storage areas. Such changes typically incorporate ergonomic benefits and other improvements that make the work easier, which improves employee job satisfaction.

The new leadership team at FleetPride fully understood such opportunities, and the real challenge. For the distributor of heavy-duty truck parts to sustain their progress and fully capture the financial benefits, their improvement efforts would have to connect directly to the overall business strategy. They would also need to roll out any changes in all five DCs and 250-plus retail branch locations, and embed the drive to keep getting better into the company's culture.

"We want to grow our business. We want to grow it fast. And we think continuous process improvement will help us do that," says Kevin Peters, FleetPride's CEO, who joined the company in January 2013. "We can't grow the business by simply doing the same things we've always done. We need to be much more effective and efficient."

Formed in the late 1990s, FleetPride grew steadily through a series of local and regional acquisitions. Today, the company's retail branches serve major U.S. metropolitan markets in 45 states. They stock over 250,000 heavy-duty truck and trailer parts for brake, drive train, engine,

hydraulic, suspension and electrical applications. FleetPride also sponsors a nationwide network of over 200 repair and maintenance facilities known as FleetCare Truck Service Centers.

At roughly \$1 billion in annual revenues, FleetPride is four times larger than its next largest competitor, based on the company's market estimates. Despite such revenues, its market share is still in the single digits, which leaves a lot of room for growth, according to Peters.

When 99.9% Isn't Good Enough

FleetPride's overriding purpose is to help its customers keep their transportation fleets running by minimizing downtime. To do that it needs to have the right parts when and where they are needed. Some of the standard benchmarks for gauging performance in a distribution business aren't good enough.



"FleetPride does millions of transactions every year in our branches and distribution centers," Peters explains. "It's not good enough to be 99.9% accurate and on time. Because that means, for every

million transactions, there are a thousand defects. If you truly believe that customers have choices, every day you're giving those customers a reason to go someplace else."

Like many companies that grow through acquisition, FleetPride had been operating more as an aggregation of small businesses than at the scale and efficiency level of a billion-dollar enterprise. The distribution centers had few standard processes or common metrics.

"Receiving, put away, picking, and shipping processes in each location were managed manually, with few daily performance measures," recalls TBM's Andy Andrews. "When there was a problem, the typical response was to throw people at it."

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CEO

Starting with the company's DC in Atlanta, TBM worked with FleetPride's improvement team leaders to assess the current state of the operation. Following the initial assessments, Andrews helped plan and execute a series of back-to-back kaizen events to:

- Establish performance metrics for safety, quality, delivery and cost.
- Set up flow lanes to enhance inbound and outbound velocity.
- Re-slot storage locations based on SKU velocity analysis to minimize travel time.
- Optimize the warehouse layout to improve productivity and inventory management.
- Introduce 5S to improve organization.
- Level load labor and maximize transportation efficiency.
- Establish standard work for put-away, picking, packing and shipping processes.

"In the industrial distribution supply chain, variation is always an Achilles heel," says Peters. "Having standardized work practices allows us to improve our firstpass yields. It allows us to have standards and consistency that we can measure activity against. And, perhaps most importantly, having standardized practices allows us to rotate people as needed throughout our distribution centers and branches."

One standard practice that is being rolled out at FleetPride distribution centers is an approach they've dubbed "packto-branch." As in most picking and shipping processes, DC workers would always try to pick orders and pack parts in whatever way was easiest and most efficient for them.

"When the order arrived at the branch, employees there would unpack each box and then have to wander around the entire facility to put the parts away in the assigned storage locations," says Andrews. "It consumed a lot of time that could have been better spent out front, working with customers."



After looking at the efficiency of the entire shipment and handling process from the DCs to the branches, one of the improvement teams had an idea. By packing shipments in returnable totes according to distinct storage zones within the branches—which would require marginally more work in the DC—they might save significant time at the retail locations and also improve put-away accuracy. They were right. Through the end of last year, the change in shipment configurations at two of FleetPride's five distribution centers is on schedule to reduce 129,000 labor hours at the retail branches, roughly \$2.2 million in annual labor cost savings.

Initial assessments have been completed at all of FleetPride's distribution centers, and three of the five have completed a series of kaizen events specific to their improvement priorities. After some experimentation, the company settled on a 3-day kaizen event model. This approach allows the company's DC managers the time to participate in consecutive weekly

events and still keep up with their regular job duties. By executing back-to-back projects and events, the DCs have been able to move forward and build on the previous week's work much quicker than if they had conducted only one event each month or each quarter.

Instead of telling people what to do, Peters reports, the company's managers are beginning to understand the power in giving employees ownership of the improvement process, since they always know the work best. Management roles are becoming much more collaborative and focused on implementing ideas.

"I'd be stretching the truth if I said we've got full adoption," he shares. "But I think, facility by facility and branch by branch, we're seeing managers realize that they need to change their own behaviors in a lean and continuous process improvement environment, because we're empowering our associates to make changes."

Replicating the "Perfect Branch"

In the company's retail branches, employees have been focusing on improving inventory management and general appearances. That means: a) having the right products when customers walk into the stores, not telling them the replacement part they need for their truck is out of stock. And b) making it easier for employees to focus all of their activity and attention on customers.

Driven by the mutually reinforcing needs of customers and employees, FleetPride has applied lean practices, like 5S, to create the so-called “perfect branch.” Overdue upgrades to break rooms, restrooms, showrooms and the building exteriors, have both improved the work environment and fostered buy-in to subsequent improvement efforts. Making the process of looking up and locating parts more efficient, makes customers happier and the counter staff less frustrated, while increasing service capacity.

With 250-plus branches in 45 states, to quickly rollout changes and realize the benefits, FleetPride’s improvement team created and distributed a “playbook” of best practices. Having a few “experts” go store-to-store to work on project implementations would have taken too long and delayed the potential returns. The playbooks identify potential projects in a simple, one-page format, with before and after pictures, process owners, cost to implement and the estimated returns.

Next Steps in the FleetPride Journey

Looking forward, the company is continuing to identify opportunities to eliminate waste and improve quality in ways that customers will notice. That includes picking, put-away, shipping and delivery accuracy. “So often, people talk about cost takeout. That’s interesting, but what I’m really interested in is identifying processes where we impact quality for our customers,” Peters states.

Beyond manufacturing and distribution, FleetPride has targeted the accounts payable and accounts receivable departments for improvement, and how they add new products and part numbers into their systems. Shorter and more consistent cycle times for adding new SKUs will allow the company to offer new products sooner, and thereby capture some first-mover market advantage.

Longer term, Peters wants the organization to be able to quickly implement lean practices within businesses that it acquires. “By adopting a continuous process improvement methodology as part of our acquisition integration, with lean as being the principle tool for that, it will accelerate synergy realization, which will allow us to do more acquisitions faster in the future.”

SPEED WINS EVERY TIME

TBM specializes in operations and supply chain consulting for manufacturers and distributors. We push the pedal down in your operations to make you more agile and help you accelerate business performance 3-5x faster than your peers.

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