

CLICKS+

Changes in Distribution Centre drive cost savings, service improvements and better productivity

Clicks is South Africa's largest retail pharmacy and health and beauty chain with more than 450 store locations and more than 18% share of the retail pharmacy market. The company maintains thousands of SKUs in its stores throughout the year, though a constant stream of new product launches combined with frequent promotions and high SKU seasonality means that the company's SKU base changes frequently throughout the year.

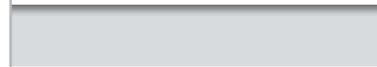
The Challenge

Double-digit growth in sales and significant growth in the number of SKUs and volume helped to create inefficiencies in both stores and distribution centres. Shop assistants were spending too much time re-stocking shelves as they moved back and forth from one side of the store to the other to shelve products. Distribution centre productivity was poor due to inefficiencies in travel, replenishment and slotting.

Transportation costs based on shipping cubic meters were eating into profitability. Because they were being packed inefficiently, more totes and rolltainers than necessary were being transported to the stores, adding to supply chain costs.

Tote Utilization

Before: 68% full totes



17% increase in tote utilization helped decrease transportation cost

After : 85% full totes



The distribution centres themselves were running out of space to handle the growing number of SKUs and volume, which would require either extending the size of existing facility or building an additional facility. Working with storage media that were not the right size and type required more frequent replenishment of pick faces and often resulted in zero-picks or short picks, ultimately reducing picking efficiency and driving up operational costs.

Clicks needed a way to drive service improvements across the organisation especially to stores, reduce transportation costs and increase productivity without making significant capital investments.

The Business Case

The solution would require a change in thinking about SKU lifecycle management. Realizing that where a product is stored in the distribution centre can make a significant difference in the productivity of the entire DC was the first step. In stores, delivering product directly to the shelf yields improvements in stock availability and reduction of costs associated with sorting products in the stockroom and additional retail storage space required to do so.

Right-sizing storage media is key to maximizing space utilization and productivity. Slotting SKUs by category

“The team did a great job analyzing the data, bringing us new ideas and realistically accommodating our needs.”

—Simon Wills, Supply Chain Business Process Manager, Clicks Group Ltd.

“We are starting to realise the benefits of improved service levels to our stores, which have been driven by implementation of the solutions provided by Fortna”

—Jacques De Kock - Head of Supply Chain & IT, Clicks Group Ltd.

The Fortna® Difference

Fortna® helps the world's top brands transform their distribution operations into a competitive advantage. We are a professional services firm built on a promise – we develop a business case for change and hold ourselves accountable to those results.

Our services span the entire breadth of distribution including strategy, operations design and implementation, systems, organizational improvement, and warehouse control software.

For over 60 years, Fortna has partnered with the world's top brands – companies like Pick n Pay, Mr. Price and Ackermans – helping them improve their distribution operations and transform their businesses.

© Fortna®

For more information

Call: +27 (011) 028 5900
Email: info@fortna.com
Web: www.fortna.com

and velocity so pickers no longer have to walk long distances past slow movers to get to the faster-moving SKUs would reduce overall travel time and increase productivity. And finally, knowing that SKU velocity is dynamic and requires continuous monitoring and adjustment over time to accommodate seasonal peaks and promotions required a roadmap to ensure the resulting benefits would be sustainable over time.

The Solution

Fortna® helped Clicks achieve the desired results by conducting an in-depth analysis of the company's SKU velocities, storage capacity, order profiles and operational processes.

The storage media was re-designed to accommodate the current number of SKUs, and handle significant volume growth. In order to reduce the number of replenishment moves required at the DC, pick face capacity was increased to hold a minimum of 6 days rather than a single day of inventory. And larger dynamic bays were selected for temporary storage of fast-moving promotional SKUs.

The DC was re-slotted according to SKU velocity and store category layout which helped to eliminate unnecessary travel and improve productivity in the DC as well as increase efficiency of restocking shelves in the store. All totes are consolidated at the end of a picking zone, if there are any partially filled totes from any zones a final consolidation is done prior to dispatching. This ensures maximum tote utilization and less overall cubic volume for transport while maintaining store readiness. Associates at the store are able to replenish shelves faster and more efficiently, allowing them to focus on more value adding activities and customer service.

Finally, a slotting tool was recommended to maintain optimal slotting into the future as the company grows and adds new products over time.

The Payoff

As a result Clicks was able to delay building an additional facility by up to 2 years, saving the company R24 million in capital expense. The changes also gave them breathing room and additional capacity for future growth while they design the next evolution of their distribution network.

By increasing pick face capacity and using dynamic slotting for promotional SKUs they achieved 40% improvement in replenishment efficiency. With a store-ready layout and velocity slotting in the DC, picking productivity increased through reduced travel time and more efficient use of equipment.

More efficient packing of totes, up from 68% to 85% utilization, enabled the company to reduce the cubic volume of store shipments and contributed to a year on year savings of R1,2 million in transportation costs, even as volumes increased.

With no less than 80% of tote bins arriving 'store-ready' at stores, Clicks was able to increase speed-to-shelf and on-shelf availability. They were also able to reduce the time shop associates spend re-stocking shelves. Shop associates now engage in more value-added customer service activities and stores to run a leaner staffing model which contribute to increased sales and margins.

The project, which paid for itself in cost savings, enabled the company to improve service, improve productivity, reduce transportation cost and drive overall Supply Chain cost down.