

Case Study

Retail Adventures.

What I want for Christmas is a new warehouse.





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In November 2005, The Warehouse Group sold the Australian element of its business, and Millers sold its Discount Variety Group (DVG) to Australian Discount Retail (Trading) Pty Ltd (ADRT) which is owned by two private equity groups.

These acquisitions brought together The Warehouse (Aust), Go-Lo, Chicken Feed and Crazy's Clarks and created a business with approx \$1 billion sales footprint and approximately 430 stores nationwide.

The Warehouse Store brand is gradually being wound down and by the end of 2008 it will be completely replaced by Sam's Warehouse.

A number of warehousing and distribution facilities were also inherited with the acquisitions, so throughout 2006, Australian Discount Retail (Trading) International Supply Chain Manager, Guy Tully and his team, set about rationalising all elements of the supply chain.

“The integration of the businesses brought a number of issues regarding the sizing of

the business, so we carried out a full network study, examining as a whole our Australia logistics, delivery to stores, where the stores are best placed and the impact locations would have on related issues such as fuel consumption, supply” said Tully.

“When we integrated, we had a warehousing footprint that included seven warehouses, of which we quickly closed down three, basically one in each state, Queensland, New South Wales, and Victoria,” said Tully.

“We continued to work out of the existing NSW operation at Ingleburn. This was only 17,600sqm and was not suitable. We kept the current Queensland DC of 50,000sqm facility located at Fishermans Island, Brisbane Port and retained the existing 32,000sqm facility at Somerton, Victoria. Basically we were able to chop out about 50,000sqm of warehousing space.”

Once the network study was completed and suitable locations were sourced for NSW and Vic DCs, ADRT went through a tender process and invited the major materials handling integrators within



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Australia to tender for both the New South Wales and Victoria DCs. A process that was won by Dexion Integrated Systems.

“We had a very tight timeline for New South Wales,” said Tully, “as we needed to create a warehouse footprint to ensure we were able to service the demands for Christmas 2007.

The timelines were very tight on construction, let alone placing orders for a sortation system that would cover the requirements of 100 stores at a base level and up to 220 stores as required.”

“A key element of the Dexion solution is a shoe sorter which operates at 9,000 cases an hour. This gives us the necessary speed to ensure that we have operational productivity and flexibility to increase our distribution capabilities as our sales footprint increases, without having too much of an impact on the business,” he said.

The NSW project commenced in October 2006 and was completed in November 2007.

“With it being so close to Christmas we took the decision not to go too heavily into the site.” said Tully, “We allowed ourselves a small process to transfer and we worked out of two sites which gave us enough breathing space to manage the Christmas peak.”

The NSW DC operates a High Speed Shoe Sorter capable of handling a wide range of freight and up to 50kg per carton. The sorter is controlled by the Dexion Real-Time Distribution System (RDS) which manages the handling and tracking of cartons with high integrity.

The storage component of the project included 27,000 pallet positions and 5,550 positions of bulk storage. There are just over 5,000 positions in receiving staging and 4,000 in despatch staging.

According to Tully, the project wasn’t without its issues but with realistic expectations and a transparent approach and relationship between supplier and customer the outcome was a positive one.



“We have been very happy with the results, in fact we have asked Dexion to wind back the performance of the system as it's no good running it at the optimum levels in non-peak periods.”

“Because of the speed of implementation, we did make some small but late changes to the material handling layout within the DC and there were some issues when we went live with Dexion. But in the context of what we tried to achieve in such a tight time frame, we would have been naive to think that there wouldn't be issues,” he said.

One of the real positives about the whole process was the approach and attitude of the guys from Dexion: they never walked away. They stayed focused and involved until the solution was effectively integrated into ADRT's business.

“We have been very happy with the results,” said Tully. “In fact we have asked Dexion to wind back the performance of the system as it's no good running it at the optimum levels in non-peak periods. But very quickly, we will be ramping it up and will be back up to 9,000 cartons per hour. That's the beauty of the system.”

Tully can see a number of lessons learned from the implementation process.

“There were a number of lessons from the NSW site. From a customer's perspective it is important to ensure that there are very detailed specs of requirements, and that there is no confusion with realistic timelines set which ensure we don't fall into panic or frustration type discussions,” he said.

“The third and major lesson is to select a contractor that in rain, hail or shine, won't throw up its hands and walk away, Dexion stuck in there with us and we've now got a system that we are all proud of.”

According to Tully, the results from the Sydney DC relate to the new system as well as the expertise of the team managing it.

“Much of our core competence is down to our staff who come from sections of industry where automation is an accepted practice, so we have expertise in the right places,” he said.

“We are getting very good results from New South Wales and we will meet the expected return on the investment. That's probably the best answer that you can give”.



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“Although we are in the off peak, we occasionally run the system hard”.

“Typically the previous Sydney DC was processing about 30,000 cases a day, remembering our cases vary a nice grocery carton to a piece of flat packed furniture to pillow cases and it was doing it across two full shifts, included Saturdays. The expectation is that, with no change of volume, we manage the process in one shift or less with no Saturdays. The results speak for themselves”.

“The current Victorian site processes approximately 40,000 cases a day in the peak period. That's with two shifts and Saturday and Sunday. We expect the new facility to manage similar loads in one shift or less, Monday to Friday with no Saturday. So, again the savings speak for themselves.”

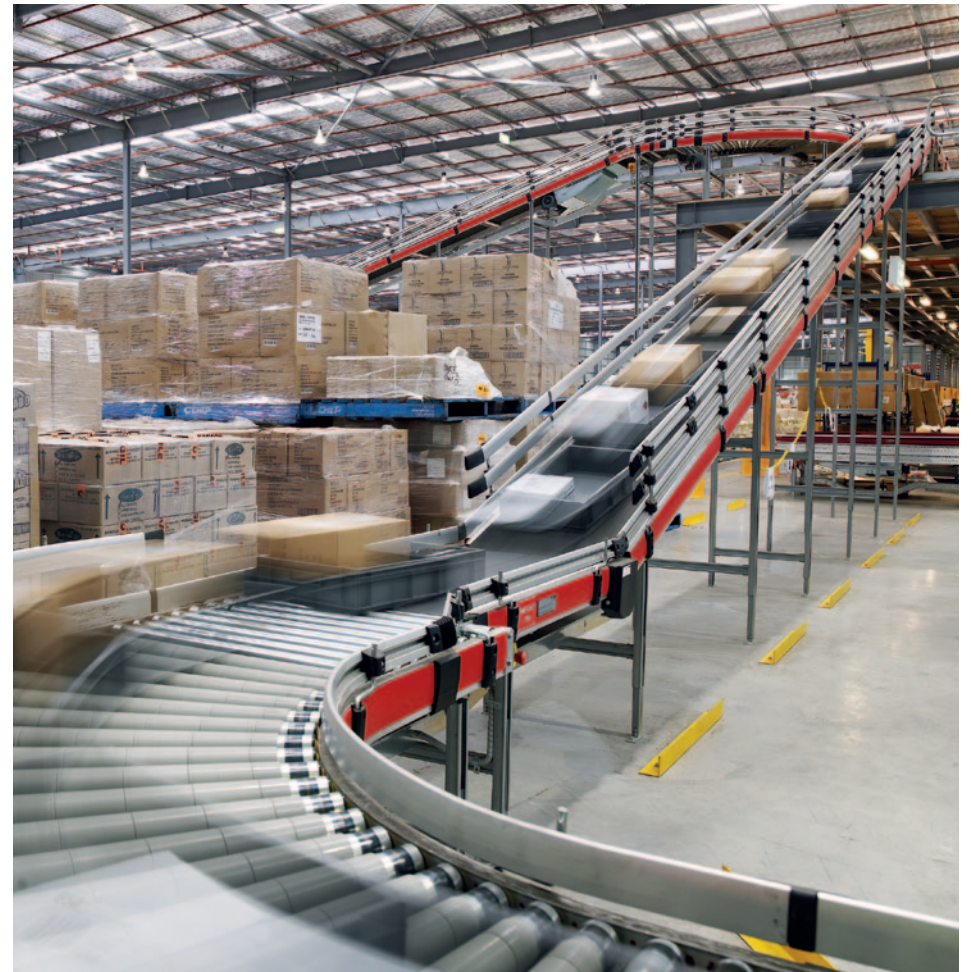
Tully explains that the experience with the New South Wales DC will ensure the Victorian implementation will go even more smoothly.

“We were able to take a lot of learning throughout the implementation process and apply it back across the specifications for the Victorian DC,” he said, “we had more of a window to place orders and to fine tune the Victorian site. Also we have been able to design rather than add in later, some of the smarts that are already in the system, so, as bullish as it might sound, we will exit the existing facility and begin operating the new DC, one month after hand over.”

“Dexion and my team will be testing throughout October ready for full on running in November,” he said.

The new DCs are key elements of a major restructure to Australian Discount Retail (Trading) Pty Ltd's complete supply chain, encompassing both international as well as domestic.

“It's no good building a slick supply chain in line with the speed and the systems that are 'in country' if you are going to get a hold up somewhere else. We have built distribution centres that will see goods in



one day and gone the next, that's the speed we want 'in country'. The DCs have to be as fast as the trucks taking them to the stores. We can't afford for them to be waiting,” said Tully.

“So over the last 18 months, we've examined and rationalised our International Supply

Chain securing very strong lead times, commitments and allocations accordingly.”

“In this business, it's all about getting product to the stores, quickly and effectively and the new systems from Dexion play a critical role in our new supply chain,” he said.