

# SCALING TECHNOLOGY & DEVELOPING PEOPLE

Taking a mid-size audio/visual product manufacturer's supply chain to the NEXT LEVEL

## INTRODUCTION

A rapidly-growing manufacturer and exclusive provider of audio, video and CCTV products for residential and commercial A/V integrators, (for purposes of this case study referred to as AV4I), sought a next-level supply chain partner. AV4I empowers integrators to run more efficient businesses by providing high quality, lucrative products supported by best-in-class online ordering and award-winning customer service. They differentiate themselves in the market based on 4 key factors: providing Top Notch Products, Delivering Outstanding Service, allowing customers to Shop With Ease, and offering Exclusive Savings.

## OPERATIONS OVERVIEW

A 3-facility distribution network, domiciled on the East Coast, Southwest and West Coast, serves AV4I's extensive base of audio/visual integrator customers across the US. Each operation provides a full array of distribution services including:

- Ecommerce fulfillment, direct-to-customer/integrators
- Inbound receipt of product via offshore container
- Parcel, LTL & express outbound transportation
- Rework & QA inspection
- Due to ecommerce time sensitivity, each facility provides same day shipping & order fulfillment

AV4I had outsourced their 3-facility distribution network to a third-party logistics provider in the past, however varied levels of success forced them to re-assume operational control in-house. In 2012, their aggressive growth strategy had placed immense strain on their existing supply chain infrastructure, and they once again were looking to a 3PL partner to drive performance and take their supply chain to the next level.



## CHALLENGES ACROSS MULTI-SITE DISTRIBUTION NETWORK

AV4I was faced with challenges to improve, grow and protect their rapidly growing business. In order to scale their business in a profitable way, AV4I knew they had to outsource to a partner who would solve 4 primary challenges common to many growing mid-sized businesses:

1. **Correct Supply Chain Visibility Issues:** a rapidly expanding customer network of A/V integrators, all with very short and time sensitive delivery requirements, had amplified the need for upstream and downstream supply chain visibility.
2. **Identify Optimal Supply Chain Network Footprint:** AV4I's distribution network needed to be aligned to meet the cost-to-serve requirements of their growing customer base. Ensuring their distribution warehouses were in the right place, and the right size to meet the demands of today and the growth trajectory of tomorrow required network optimization expertise.
3. **Lack of Cultural Alignment with Previous Provider:** often overlooked in an outsourcing partnership is the cultural alignment between provider and customer. AV4I valued this alignment, and weighed this factor heavily in their decision.

### Why LEGACY: a Partnership Approach to AV4I's Business

LEGACY Supply Chain was selected based on demonstrated value in other dynamic, multi-facility supply chain environments similar to AV4I. Other critical factors included:

- LEGACY Manhattan SCALE implementation expertise
  - Custom Solution including network study and phased-in approach to startup implementation
  - Cultural alignment with LEGACY
4. **Labor Challenges:** high turnover rates were causing service, productivity and cost issues within AV4I's warehouse operations. Recruiting and developing strong facility leadership, as well as a team of high performing warehouse associates was vital to keep up with the demand being placed on their supply chain.

## A NEXT LEVEL SOLUTION

### Infrastructure Investment:

In order to launch, up front capital considerations were required, including

- **Network Study:** an initial network study validated AV4I's optimal network footprint to serve current and future customer demand

**"After implementing a 3PL solution with Legacy including implementing a new Warehouse Management System, we saw significant productivity improvements (~40%) in our warehouses. Beyond that improvement, we also benefited from a structured and robust cost control and visibility system. We are very pleased that after looking at many providers, we landed at a one that didn't just execute the plan but help create it, a true partner in our business success"**

**- VP, Global Supply Chain, AV4I**



- **Real Estate:** LEGACY provided real estate selection & negotiation services to ensure each facility was optimized from a real estate cost perspective.
- **Tier 1 WMS:** LEGACY provided significant cost advantages to AV4I on 2 fronts – the acquisition of Manhattan SCALE WMS, as well as the implementation of the platform across their entire network.
- **Warehouse Reset:** Lean/Quality team re-engineered the facility to enhance permanent/reserved pick locations, introduce velocity slotting, and update pack locations to support fast-moving flow of goods.
- **Automation:** racking configuration & conveyor systems were implemented to drive efficiency and productivity.

#### Leadership & Labor:

LEGACY assumed full operational control of each site, with a goal of improving performance through operational best practice and leadership development. LEGACY put the right facility leadership in place to begin immediately driving positive operational performance, as well as reduce the turnover that had hampered service, quality, safety and productivity levels in the past.

#### Continuous Improvement:

A partnership approach requires commitment to continual improvement within the 4 walls. 6-month Lean events targeting removal of 1% of annual operating expenses were successfully instituted at each facility. New pick initiatives focused on reducing product touches increase quality and productivity. Racking and layout reconfiguration reduced the need to leverage

overflow warehouses during hi-volume periods, further removing overhead costs for AV4I.

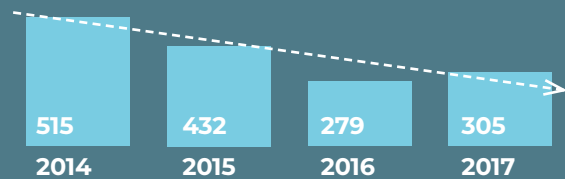
#### Adding Long-Term Value

In addition to the operating agreement, LEGACY provides consultative support outside the current 4 walls of the warehouse(s). LEGACY is engaged during onboarding activities supporting AV4I's aggressive acquisition strategy. IT Solutions resources were leveraged during a corporate level ERP platform conversion, while LEGACY operational experts assist with satellite distribution locations within AV4I's network.

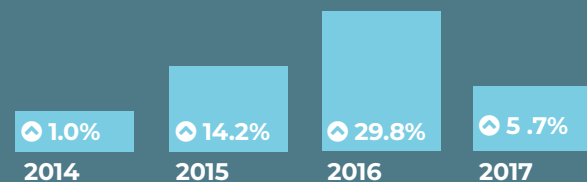
The continued investment in the relationship from both sides has been the driving force behind continued success. Both parties are vested in improving, growing, and protecting AV4I's supply chain, making it a critical enabler of long-term, profitable growth.

## RESULTS

### QUALITY - DPMO: 40% REDUCTION IN DEFECTS



### PRODUCTIVITY - LINES/HR: 4 YEAR UPWARD TREND



### CONTROLLING & DRIVING DOWN COST

