

Windows of opportunity

Connie Robbins Gentry

Borders Group, Inc., parent company of Borders Books and Music as well as Waldenbooks, is raising the standard for in-store distribution processes. Fred Boehler of Borders Group says the company has successfully accomplished its policy of "truck to floor in 24," that is, receiving, unpacking and positioning merchandise on store shelves within 24 hours of delivery to stores. He credits the performance and efficiencies achieved by Borders core less-than-truckload (LTL) carriers with driving the fundamental processes that have made continuous-flow restocking possible. Specifically, Boehler cites FedEx Freight West, which services all of Borders' stores west of the Rockies, with driving improvements in outbound logistics from the company's distribution center in Mira Loma, CA, to its stores. The confidence that shipments will arrive within the designated delivery window has allowed Borders to improve operational efficiencies.

Moving merchandise from the back door to the selling floor is, for most retailers, as big a challenge as getting product from a distribution center to the store. Efficiencies across the global supply chain, tighter inventory controls and optimization of inbound flow are all for naught if a retailer's outbound distribution to its stores creates a bottleneck.

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"This spring we're going to be implementing a continuous-flow process that we recently tested in six stores," notes Boehler. "Because of the timeliness and consistency of LTL [less-than-truckload] deliveries to our stores, we've been able to engineer a process that will move product from delivery truck to selling floor in less than 12 hours."

He credits the performance and efficiencies achieved by Borders core LTL carriers with driving the fundamental processes that have made continuous-flow restocking possible. Specifically, Boehler cites FedEx Freight West, which services all of Borders' stores west of the Rockies, with driving improvements in outbound logistics from the company's DC in Mira Loma, Calif., to its stores.

"We consolidated distribution patterns from across the United States into one facility on the West Coast, which increases the sizes and the characteristics of our inbound loads," says Boehler. "Obviously, it's better to deliver more weight to one destination at one time whenever possible. On the outbound side, consolidating to a single LTL carrier resulted in the biggest improvement, which is consistently meeting delivery schedules so the stores can staff appropriately to receive product in a timely manner."

Compressed productivity: Borders expects carriers to meet a tight delivery window, generally within a couple of hours and preferably in the morning so that merchandise can be on store shelves by noon and associates will be on the selling floor, not in the back room, during the stores' busiest hours.

More than 95% of shipments into West Coast stores travel outbound from the Mira Loma facility via LTL. The remaining shipments are small packages coming from publishers or urgent requests that require expedited delivery.

"Retailers have different strategies for outbound distribution. Some use their own fleet and others use truckload [TL] carriers on milk runs," notes Boehler. "The advantage of using an LTL carrier is that all of the stores in a single metro market can get their deliveries before noon. If we were

using our own fleet or a TL fleet doing milk runs, the first stores on the route would get morning deliveries, but the last stores off wouldn't get deliveries until late in the afternoon and, as a result, they wouldn't be able to sell the merchandise that day. An LTL carrier, with multiple trucks, can deliver to all the stores in a single market before noon."

Foto 1

The confidence that shipments will arrive within the designated delivery window has allowed Borders to improve operational efficiencies. "The consistency of deliveries is outstanding; FedEx Freight's on-time performance is better than 99%," reports Boehler. "Prior to consolidating, if you combined the performance and service from all the LTL carriers we were using, the on-time performance was probably south of 95%. Working with one carrier, it is much easier to convey expectations and to have those expectations instilled among all the carrier's terminals that service our account."

Time-specific deliveries have enabled Borders to improve its labor management, which is essential to mastering continuous-flow processes for store-level distribution. Borders deployed engineers from its DCs to the stores to develop backroom processes that would streamline the movement of inventory. "We identified selling tasks vs. non-selling tasks, and found there were multiple touch points and repetitive handling that increased the labor content of non-selling activity," Boehler explains.

Historically, the store associates received product, opened cartons and placed merchandise into bins, which organized the product by categories that matched store departments such as literature, non-fiction, childrens' books and music. Another associate would distribute the product from the bins to store shelves.

"Now that we know with almost 100% certainty when product will arrive at the stores, we staff for the expected delivery," says Boehler. "When a shipment arrives, the store associates break into the cartons and sort the merchandise to a library cart, which is taken immediately to the floor. Rather than handing off assignments to different employees and wasting labor, the process is a continuous flow."

This is not to imply the process has become a one-person job. On an average day, a Borders store may have five associates handling inbound shipments, which range from one or two pallets received in an average LTL delivery to magazines arriving via small-package delivery or packages drop-shipped from vendors.

Balancing resources: For the West Coast region alone, there are approximately 600 LTL deliveries per week and as many as 100 LTL shipments bringing merchandise from the stores to the returns center. "FedEx Freight West handles about 120 Borders stores and just shy of 225 Waldenbooks stores totaling about 700 shipments each week," counts Boehler. "In addition, we have a seasonal business that includes 200 to 250 specialty kiosks with merchandise such as calendars or Lego [toys]. Generally, the kiosks operate from October through January."

Seasonal kiosk shipments are crossdocked at the Borders DC in Nashville, Tenn., then shipped truckload to the Mira Loma facility where they are married with the individual LTL store shipments.

There are some specific challenges for LTL service, the most unique requirements being the differences in delivering to Borders stores (which are primarily freestanding or anchor spaces with exterior access or loading docks) and delivering to Waldenbooks stores (which are primarily located in malls and require inside delivery).

"For the most part, drivers can't deliver pallets to mall stores," acknowledges Boehler. "Usually the FedEx driver has to break the stretch wrap on the pallet and deliver individual cartons to the store using handcarts. It's very labor-intensive; one pallet can require five or six trips to deliver all the cartons to the store."

An average Borders store has approximately 200,000 SKUs and an average Waldenbooks store carries approximately 15,000 SKUs. In both formats, product is received and sent immediately to the floor with little to no backroom inventory.

"Our focus is on reducing transit time to expedite time to market, and we've definitely sped that up," reports Boehler. "We've reduced the lead time for transit to Waldenbooks stores by more than 20%, and LTL service has played a big role in making that happen."

In the past, Waldenbooks stores received fewer shipments than the larger Borders stores, but there was frequently a need for expedited services to restock the smaller stores for weekend traffic. Since LTL service has decreased the required transit times and increased delivery consistency, Waldenbooks' merchandisers can make allocation plans on Tuesday or Wednesday, and hot items can be delivered with LTL shipments on Thursday or Friday.

Boehler expects the need for LTL services will increase as new stores open and as productivity increases in existing stores. "Like every retailer, we want to get more sales through the same box [store]," he says. "As our comp sales grow, then the average shipment size will continue to grow. However, we have to continuously balance the frequency, how often we ship to a store each week, and the size, how many pallets are included in each shipment, so that stores can efficiently receive the merchandise. We don't want to ship 10 pallets to a store because the back rooms aren't large enough to handle that volume."

Highly productive stores that require more frequent replenishment already receive LTL shipments three to five days a week. As sales volumes increase, Borders may find itself in the enviable position of opening more windows for delivery times at its topperforming stores.

[Sidebar]

Borders Group, Inc.

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Headquarters: Ann Arbor, Mich.

Revenues: \$3.4 billion (2001)

Number of stores: 1,200+, including:

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400+ Borders Books and Music in U.S.

30 Borders international locations

775 Waldenbooks

37 U.K.-based Books etc. stores

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(Domestic stores are served by five DCs.)

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LTL Returns Efficiency

[Sidebar]

Bookstores face unique challenges with returns. Typically, a book that is returned undamaged and in virtually new condition can go back on the shelf to be resold.

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However, booksellers often return excess inventories to publishers.

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"The publishing industry is very different," says Fred Boehler, director of supply chain management of Borders Group. "It's all about placement and presence. When a customer walks in looking for the latest Grisham novel, the store needs to have stacks and stacks of the latest releases. It's all about impact and marketing position, but it's difficult to predict what the purchase rate will be. We push more inventory out there and then return unsold books to the publisher."

Regional LTL carriers delivering shipments to the stores also pick up returns. In the West Coast stores, returns are accumulated onto pallets, which FedEx Freight West takes to its service terminal in Fontana, Calif., for consolidation onto truckload shipments that are sent to the Borders Group returns center in Nashville, Tenn.

"The Borders stores have their own docks so returns can be palletized and stretch-wrapped by the store," explains Boehler. "Mall-based Waldenbooks stores that can't receive pallets also can't ship pallets. The FedEx driver has to carry cartons of returns back to the truck, where the cartons are loaded onto a pallet, shrinkwrapped and then taken to the Fontana terminal. On average, our West Coast stores have approximately 120 returns shipments per week."

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