

CLIPPER DISTRIBUTING COMPANY

Case Study

Accellos One Warehouse and Clipper
Distributing Company

Animal Pharmaceutical Distributor Picks Accellos One
Warehouse To Gain Efficiency, Productivity; Maintain High
Growth Rate



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Clipper Distributing Company

ANIMAL PHARMACEUTICAL DISTRIBUTOR PICKS ACCELLOS ONE WAREHOUSE TO GAIN EFFICIENCY, PRODUCTIVITY; MAINTAIN HIGH GROWTH RATE

As the industrialization of the livestock industry continued to intensify price pressure on suppliers, a group of regional animal health product distributors joined in the mid-1980s to form Phoenix Pharmaceutical, Inc. in response. They reasoned that the buying power they could leverage as a group would generate better pricing from their own sources and enable them to sustain profitability. The group also sponsored and won federal legislation to allow development of generic products, not then available, and launch a company to manufacture them. Double-digit annual growth followed.

CHANGING DIRECTION

Fast forward, 15 years: The profitability squeeze imposed by the large animal trade endures and market opportunities are diminishing. Conversely, an area of the animal health field not losing but actually gaining ground is the pet or companion animal sector.

Again demonstrating their resiliency, members of the Phoenix group formed Clipper Distributing Company LLC to channel generic and branded products to distributors and wholesalers addressing the pet market.

“Some of the people that started the company recognized that if they were going to grow, they had to play in a growth market,” says Clipper CFO Brandon McKibben. “The large animal market wasn’t it – larger more commercialized farms were driving this towards a commodity business. With small animals, you’re back to dealing with injuries-averse consumers and it is a much more viable market.”

THE COMPANY

Based in St. Joseph, Missouri, privately owned Clipper found what its principals were looking for. Like its predecessor, it experienced double digit annual growth both in revenue and in units sold virtually since start-up. Its small-animal focus accounts for 70-80 percent of sales, most of the balance in bovine and equine products such as antibiotics and fluid therapy products. Its product mix is strongly generic with over 1,400 products but also includes branded products from manufacturers such as Bausch & Lomb, Pfizer Animal Health and Abbott Laboratories.

The Clipper staff comprises 21 employees, 11 of whom are in the warehouse – a four-year-old, 37,000-square foot facility that is divided into three zones distinguished by their storage characteristics and picking requirements: pallet, case and carousel. The warehouse also has a refrigerated area, a flammable liquid storage room and a secure space for narcotics and other controlled substances. The company serves about 10 distributors with single and as many as 16 different shipping points. Deliveries are broken out at these points and forwarded to smaller outlets for direct sale to customers, most often veterinarians.

THE SITUATION

Until the installation of the Accellos One WMS software in January 2009, Clipper followed warehouse procedures developed at Phoenix Pharmaceutical, unchanged in 20 years with the exception that they were now executed through a Microsoft Dynamics ERP system.

For inbound product, pallets were offloaded to a staging area on the warehouse floor. The pallets were inspected, the product was recorded on paper receiving documents, and the documents were taken to the office for input to the business and inventory systems for allocation to outbound customer orders.

Orders normally originated by fax and were keyed into the business system where they were matched to inventory. Pick tickets were created, printed and taken to the warehouse. When orders were completed, the pick ticket would indicate the quantity of each item and because they dealt with pharmaceutical products, the lot number of each pick and the quantity of each lot number that was being picked.

“When orders were completed, the pick tickets were returned to the office for data entry and generation of a pack slip and bill of lading for the shipment and an invoice was prepared to send to the customer,” McKibben says. “It was very paper and labor intensive.”

SOLUTION

In its search for a warehouse solution, compatibility with Microsoft Dynamics was a critical issue for Clipper. The company reviewed three alternatives before deciding on Accellos One Warehouse. The Accellos solution was superior because it offered a fully featured solution and also had a proven track record as an integrated solution with Microsoft Dynamics.

Accellos One Warehouse is an end-to-end, modular solution that tracks every movement of stock into, out of, and within the warehouse. It integrates seamlessly with popular business management and shipping systems to automate, streamline and verify in-warehouse processes from the receiving dock to the shipping dock. In effect, it acts as the hub of the supply chain solution, integrating accounting, order and shipping software systems, electronic data interchange (EDI) systems, Crystal Reports software, radio frequency and barcode hardware, and warehouse automation equipment, to whatever degree appropriate for the user.

“We are a small shop with limited IT capability, so not only did we want to find a warehouse management system that was compatible with Microsoft Dynamics, but also we needed to find the support to make sure the communication between the two solutions was seamless. Accellos recommended their implementation partner WMSI, in nearby Overland Park, Kansas.”

IMPLEMENTATION

WMSI approaches its installs not as a “software project, but as a complete solution with a strong professional services component”, says WMSI Managing Director of Implementations Tim Renne.

“While most customer requirements can be satisfied ‘out-of-the-box,’ we also encourage customers to upgrade their practices where we find areas that can be improved,” he says. “In our kick-off meeting, we complete a questionnaire that enables us to determine needed functionality, identify unique requirements and create a requirements document. At Clipper, for example, we learned that accuracy took priority over speed, and the system as finally implemented virtually precludes picking errors.”

BENEFITS OF ACCELLOS ONE WAREHOUSE:

- INTEGRATION WITH MS DYNAMICS
- IMPROVED RECEIVING PROCESS
- PGRADED BARCODING SYSTEM
- INTEGRATION OF CAROUSEL WITH WMS
- RF-ENABLED RECEIVING/PUTAWAY
- RF-DIRECTED BLIND-PICKING
- INCREASED ORDER ACCURACY
- AUTOMATED BIN MONITORING
- ELIMINATION OF PAPER-BASED PROCESSES
- MORE COMPREHENSIVE SHIP DOCUMENTS

One WMSI recommendation focused on the types of products handled by the company. The consultant suggested a floor configuration that would readily accommodate products needing refrigeration and provide for controlled substances, for which the FDA requires secured storage. WMSI also helped the company replace an aging inventory tracking system with a barcode process that while adding steps on the receiving end, greatly reduces the time spent in later phases of the process from putaway to picking and shipping.

As Clipper was sourcing the equipment for applying barcodes to the incoming product, the company also found an opportunity to purchase an eight-unit Diamond Phoenix carousel system featuring 30-bin units with 36-inch wide shelving.

“We gave a temporary worker a 10-minute orientation on using the scanning device, and by the end of the day he was picking more lines per hour than senior employees were doing last year.”

“This presented new opportunities for us,” McKibben says. “The business mix was changing along with customer buying habits. They were ordering in smaller quantities more frequently. That type of buying pattern does not work well with pallet-type warehousing and this initiative gave us the ability to pick eaches and low volume cases quickly, where previously these were picked directly from pallet racks. That is not efficient in a general warehouse.”

Once implementation planning was completed, WMSI’s Renne held a core team meeting to present an overview of the project and familiarize users with the WMS terminology and functionality as

well as to review the full end-to-end process. Finally, a business solution document was created, detailing activities from the download of purchase orders through each step of the warehouse process. With this document as the handbook, the implementation team completed the install, trained the staff and the install was complete.

WORKFLOW WITH ACCELLOS ONE WAREHOUSE

“To appreciate the impact, Accellos One has had on Clipper’s warehouse operations, you can eliminate about half of the paper-based activities,” McKibben says.

Whenever possible, purchase orders go to the manufacturers by email, the balance via paper document, depending on manufacturer preference. When product is delivered, it is offloaded and staged as before, but without paper documents. Rather, receiving personnel log-in the inventory using wireless Intermec CK31 mobile computers and EX25 near-and-far range handheld scanning devices, affixing barcodes as part of the process.

“This completely eliminates the first step of the inventory process,” McKibben points out. “We use the devices not only to recognize and record inventory but also communicate to our business system that the product is here and in stock.”

Similarly, inbound orders arrive both by email and paper document and are entered into the business system. As lines of the orders are entered, inventory is allocated to the orders. Once an order is completely entered it is passed down automatically to the Accellos One system.

“We get real time information on what is available and what has been allocated to orders,” McKibben says. “Before, the warehouse could only project workload based on the paper pick tickets that they received. Now, they can know in real time what the order backlog looks like and how much of it is shippable based on the inventory allocation.”

Historically, a bottleneck could occur when a picker approached a bin to complete an order and found that there was insufficient product to fill it. The shipping process would halt for a manual letdown from overstock to replenish

the bin so the pick could be completed and also allow enough product for the next order. Accellos One keeps a continuous analysis of each bin, so before a picker is routed any necessary letdowns have already occurred.

Paper pick tickets have been replaced by LXE HX2 wearable devices, essentially fully featured computers with LCD touch screens that are tethered to scanners worn like a ring on the picker's finger. Pickers use the devices to scan the barcodes, with Accellos One system routing them wirelessly through a blind pick process.

"When our pickers had a paper pick ticket, they knew the product they were picking, the quantity and even the lot number of what should be available in the warehouse," McKibben says. "Today, they don't need to know that or even how many lines are on the order. They only need to know where to go to start their scan. The system tells them to continue to pick or to go to the next bin. This speeds up the process and virtually eliminates the possibility of human error."

Once orders are picked and completed, they are bundled, packed and shipped. The pack slip is a new one that is produced by the Accellos software. It is similar to the previous one, but adds a carton content label. Customers get a description of all contents of every Clipper pallet they receive whereas before, the pack slip said only that they were getting X amount of product; it did not identify the pallet or indicate how many pallets were in a delivery.

"To appreciate the impact, Accellos One has had on Clipper's warehouse operations, you can eliminate about half of the paper-based activities."

RESULT

According to McKibben, the Accellos One version installed is basic but open, with additional opportunities that will come into play as Clipper's business continues to grow in volume and complexity. And despite its power and flexibility, the system is amazingly easy to learn, he says.

"We are looking towards adding a second shift and this will be quite important," he says. "Looking back we realize that under our old business model, there was a six month learning curve. After installing the Accellos One software, we took a temporary worker 'off-the-street,' gave him a 10-minute orientation on using the scanning device, and by the end of the day he was picking more lines per hour than our most senior employees were doing last year."

At least half of the paper-based processes have been eliminated and those retained have been significantly improved, for, for example:

- An aging inbound inventory tracking system has been replaced with a new barcode process, greatly reducing time spent later in the process from putaway, to picking and shipping.
- Pickers use wireless devices to scan the barcodes as the Accellos One system routes them through a blind pick process, accelerating the pick and eliminating human error.
- The new pack slip produced by the Accellos software adds a carton content label with a description of the contents of every pallet. Pre-Accellos, it did not identify the pallet or indicate how many pallets were in a delivery.
- Integrating a carousel system brought the ability to pick eaches and low volume cases quickly, where previously these were picked directly from pallet racks.

The ultimate proof, of course is in the production and it did not take long for the value to emerge. The carton figure for January 2008 was 54,000; for 2009, it was 47,000, but McKibben points out that in the January

implementation, about a week of shipping was lost; that for a full month, the total would probably have shown a 2,000-unit increase. Ship rates tell the story more clearly:

- Lines: February 2008, 93/hr; February 2009, 121/hr
- Pounds: February 2008, 3,100/hr; February 2009, 3,622
- Cartons: February 2008, 280/hr; February 2009, 313/hr.

“It was gratifying to be able to identify such significant results so quickly,” McKibben says. “The entire process has exceeded expectations, from the excellent implementation team that Accellos recommended to the functionality of the system and the information we now derive for reporting purposes. Talking to Accellos One Warehouse users gave us the confidence to move forward and we now feel able to grow and expand without having to add more people and processes.”

ABOUT ACCELLOS

Accellos is a global provider of logistics, warehouse, 3PL, transportation and mobile fleet management solutions. Accellos addresses the supply chain management and execution market with warehouse management systems for multiple environments; Microsoft Windows-based transportation management solutions; and in-field mobile resource management solutions. Accellos’ powerful supply-chain execution solutions are easy to customize and implement, providing our customers with more innovation for less investment while producing significant savings and greater profitability. Through a culture of innovation, Accellos strikes the perfect balance of customer satisfaction, employee fulfillment and shareholder value, delivering greater profitability and rapid return on investment for our customers and accelerated logistics and warehousing services for the clients they serve.

About iCepts Technology Group, Inc.

For over 30 years, iCepts Technology Group, Inc. has been working with wholesale distribution, manufacturing and other industries with various technology solutions to help these organizations achieve greater efficiencies, streamline their supply chain and business processes, plus gain better access to vital business reporting.

Contact us today to learn more!

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