

Optimize Your Distribution Network to Improve Service Levels while Reducing Costs

Sponsored by:



Presented by:

**Mark Kaiser, Manager,
Distribution Operations
Myers Tire Supply**

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Agenda

- Session Description
- Presenter Introductions/Bios
- Myers Tire Supply Overview
- Project Background
- Strategy / Design / Implementation
- Results

Session Description

Title: Optimize your distribution network to improve service levels while reducing costs

- Description: Determining the optimal distribution network that reduces operating costs, improves overall service levels, simplifies the supply chain and addresses the concerns of various stakeholders at the most economical costs
- Key Takeaway: Understand how Myers Tire Supply turned their distribution network right side up and the process to get there

Presenter Introductions/Bios

➤ Mark Kaiser

- Manager, Distribution Operations for Myers Tire Supply
- 39 year career at Myers Tire Supply and Myers International
- Project Lead for Business Model Change

➤ Jeff Cook

- President of the Strategy Group for Blue Horseshoe Solutions
- 25 year career at TransTech/Blue Horseshoe, Jeff has led many Supply Chain transformation projects throughout the US, Canada, Europe and Australia
- Focus on Business Strategies, process improvements, functional designs and Warehouse Management System specification and implementations

Myers Tire Supply Overview

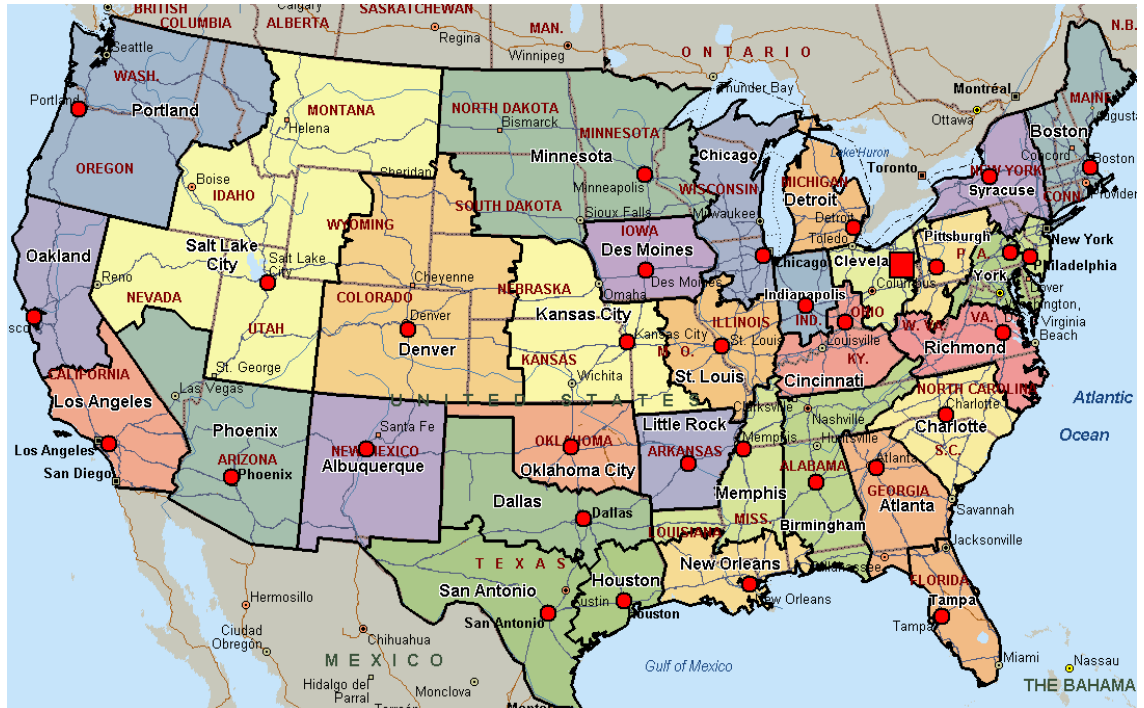
- Myers Tire Supply, a subsidiary of Myers Industries headquartered in Akron, Ohio
 - Largest wholesale distributor of tools, supplies and equipment for the tire service and undervehicle repair industry in the United States.
 - Products range from tire balancers and alignment systems to service tools, TPMS valves, wheel weights and other supplies.

- Myers Industries (NYSE: MYE) is a diversified, international manufacturer of plastic and rubber products for industrial, agricultural, automotive, commercial and consumer markets.
 - Leading manufacturer of plastic material handling containers and pallets, plastic flowerpots and planters, rubber tire repair products and custom products.
 - Visit www.myersindustries.com to learn more

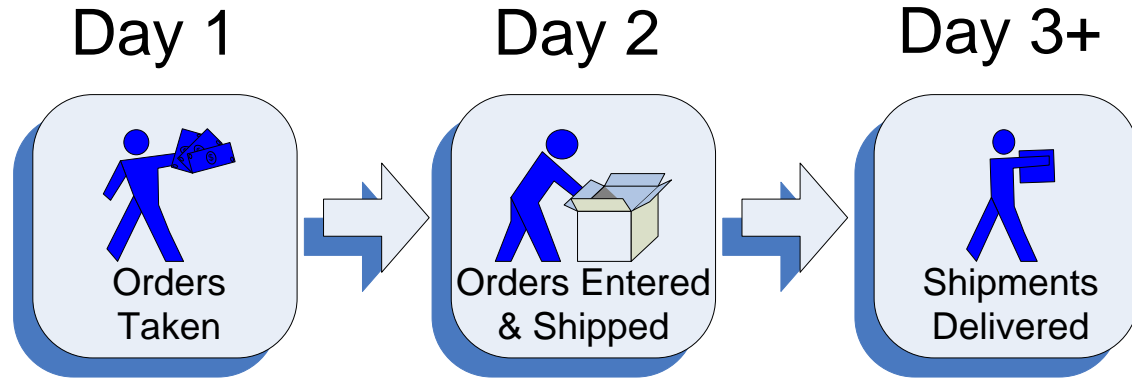
Project Background

In 2010, Myers Tire Supply was operating as follows:

- 33 Branch locations containing Sales Offices & Warehouses
- Each location run independently.
- Branch Managers responsible for Sales, Inventory and Operations.
- Majority of products received into Central warehouse in Akron then replenished to branches
- Various Product Mix throughout the network. Branch managers defined and planned own inventory.
- 77% fill rates, multiple shipments per order from different locations.



Order to Delivery Cycle



Days from Order Entry to Shipment

OE to Shipment Time	Branch to Customer	Akron to Customer
Same Day	38.4%	29.7%
1 Day	30.2%	53.2%
2 Days	9.1%	3.8%
> 2 Days	22.3%	13.3%

Few orders are received and entered on the same day

- 30% of shipments from Akron
- Delivery requirement is highly dependent on a salesperson's visit
- A varying percentage of orders are required same day or next day

FedEx Delivery Days (Shipments)

Fed Ex Delivery Time	Available Service (33 Sites)	Actual Service *
1 Day	99.2%	81.2%
2 Days	0.8%	13.5%
> 2 Days	0.0%	5.4%

* Actual 1 Day from Branches is 90.8%

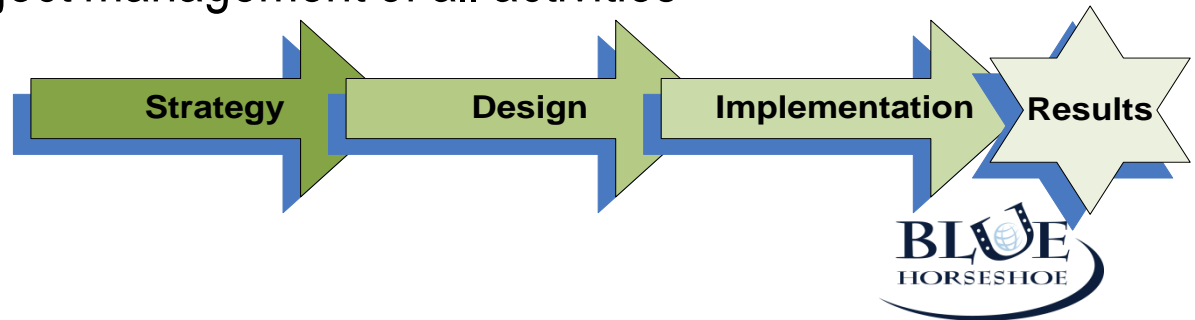
Project Statement

- Distribution model enhancements required to support growth and profit level strategies
 - Different Branch distribution strategies create challenges on supply chain management
 - Economic slowdown has created opportunities within the market
 - Sales Organization to focus on sales opportunities, not distribution
- Need to provide exceptional service to meet or exceed customers' expectations
 - Customer service varies for each order given a lack of product availability
 - Order turnaround and delivery timing to be consistent
- Distribution must maintain flexibility to meet changing market demands
 - New products, regionalized expansion value added services

Realization

- **Completed Strategy Study / Set Direction**
 - Assembled team to include all functional areas
 - Evaluated and understand current state
 - Interviewed internal and external stakeholders to understand needs
 - Identified and analyzed potential network alternatives
 - Selected Strategy that best fit Myers' current & future goals
- **Designed Network**
 - Facilities, Organization, Transportation Network, Inventory Systems...
- **Implemented / Transitioned**
 - Internal and External Stakeholders communication
 - Established detailed schedule and consolidation plan
 - Coordination / project management of all activities

➤ Results



Strategy - Project Objective

Determine the optimal distribution network that reduces operating costs, improves overall service levels, simplifies the supply chain and addresses the concerns of various stakeholders at the most economical costs

Specific components quantified as part of the study include:

- High-level supply chain design
- Geography, space, staff and inventory
- Technical infrastructure requirements
- Costs and benefits including operating expense, balance sheet and P&L impact
- Implementation timeline

Strategy - Network Design Alternatives

➤ *Improved Current*

- Centralized inventory management
- Separation of Distribution and Sales

➤ *18 Branch Network – 1 Day Delivery Model*

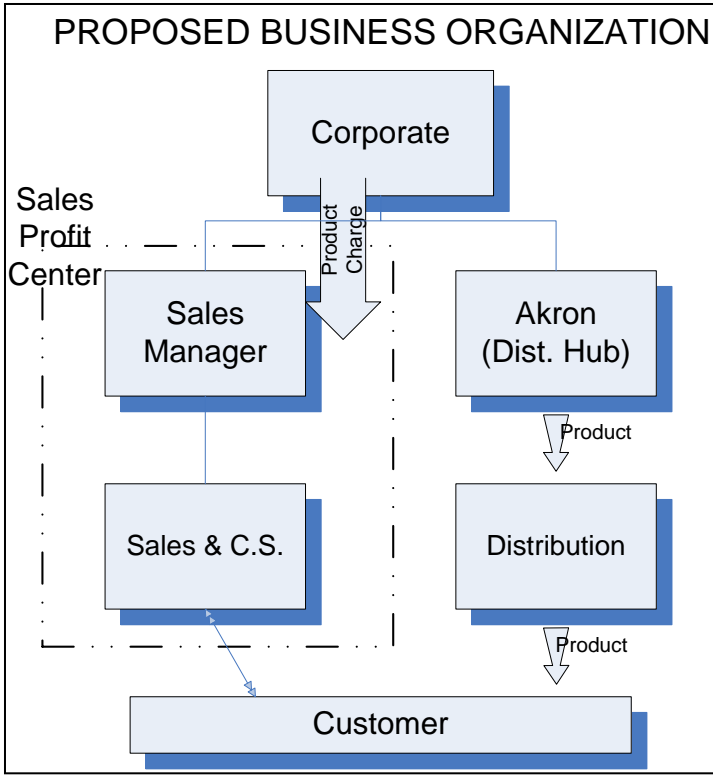
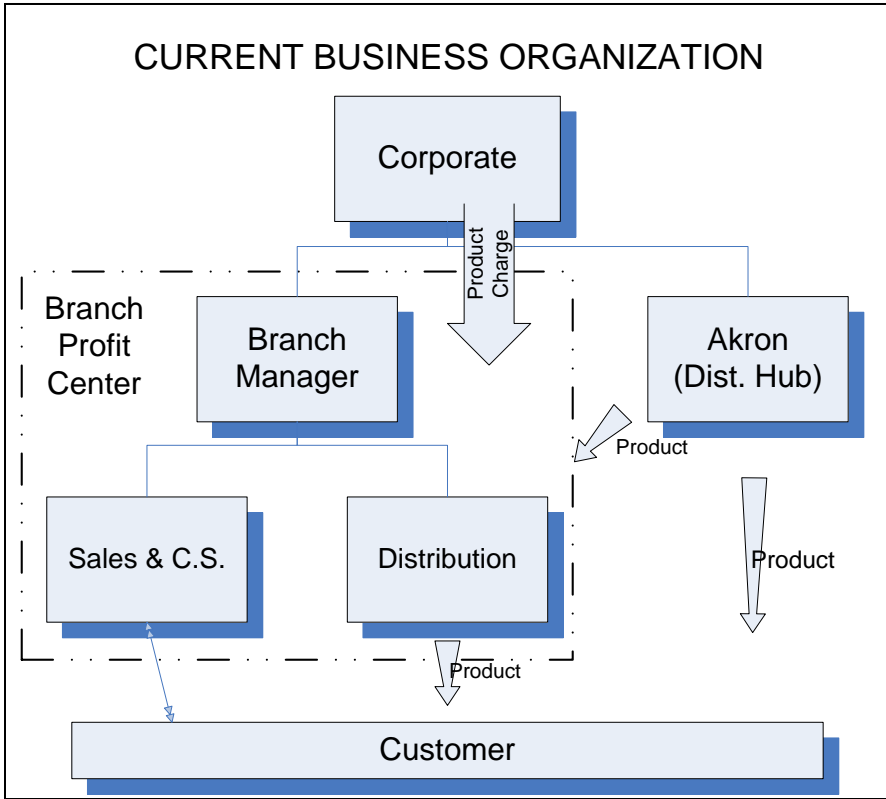
- Branch locations
 - Equipment: A& B Items Only (> 7 of 26 wks with sales), Avg. 9 items per branch
 - Supplies: Full stocking (> 0 of 26 wks with sales), Avg. 2,900 items per branch
- Akron as Replenishment Hub
- Bada, Patch, Perfect, and Specialty continue direct to branches

➤ *4 DC Network – 2 Day Delivery Model*

- Akron, Memphis, Denver, LA
- Each location is full stocking, Avg. 5,200 items per DC
- All products received directly from vendors into each location

Strategy – Recommendations

Separate Distribution from Branch Profit Centers



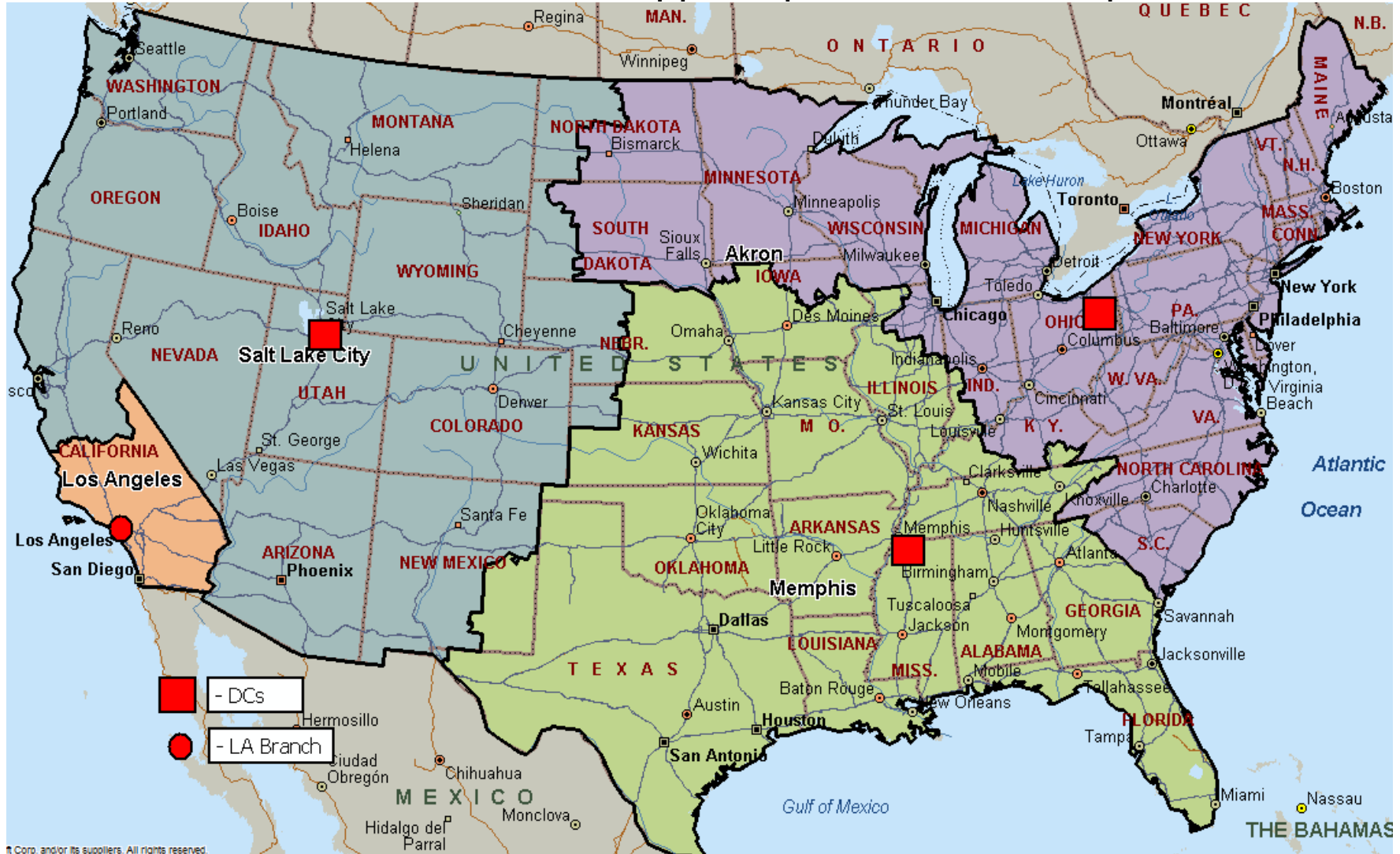
**** Distribution expenses allocated based on activity ****

Strategy – Recommendations

- 3 Facility Distribution Network
 - Highest annual operating savings of all alternatives
 - Maintain 2-day delivery to all customers
 - Consolidated inventories improving in-stock position
- Maintain LA Branch with Myers' Truck delivery to support unique market
- Centralize inventory management functions in Akron
- ERP system enhanced to provide centralized inventory management and distribution expense allocation to branch profit centers
- Sales tools provided to each salesperson
- Complete sales reorganization by realigning sales managers

3 Facility Distribution Network

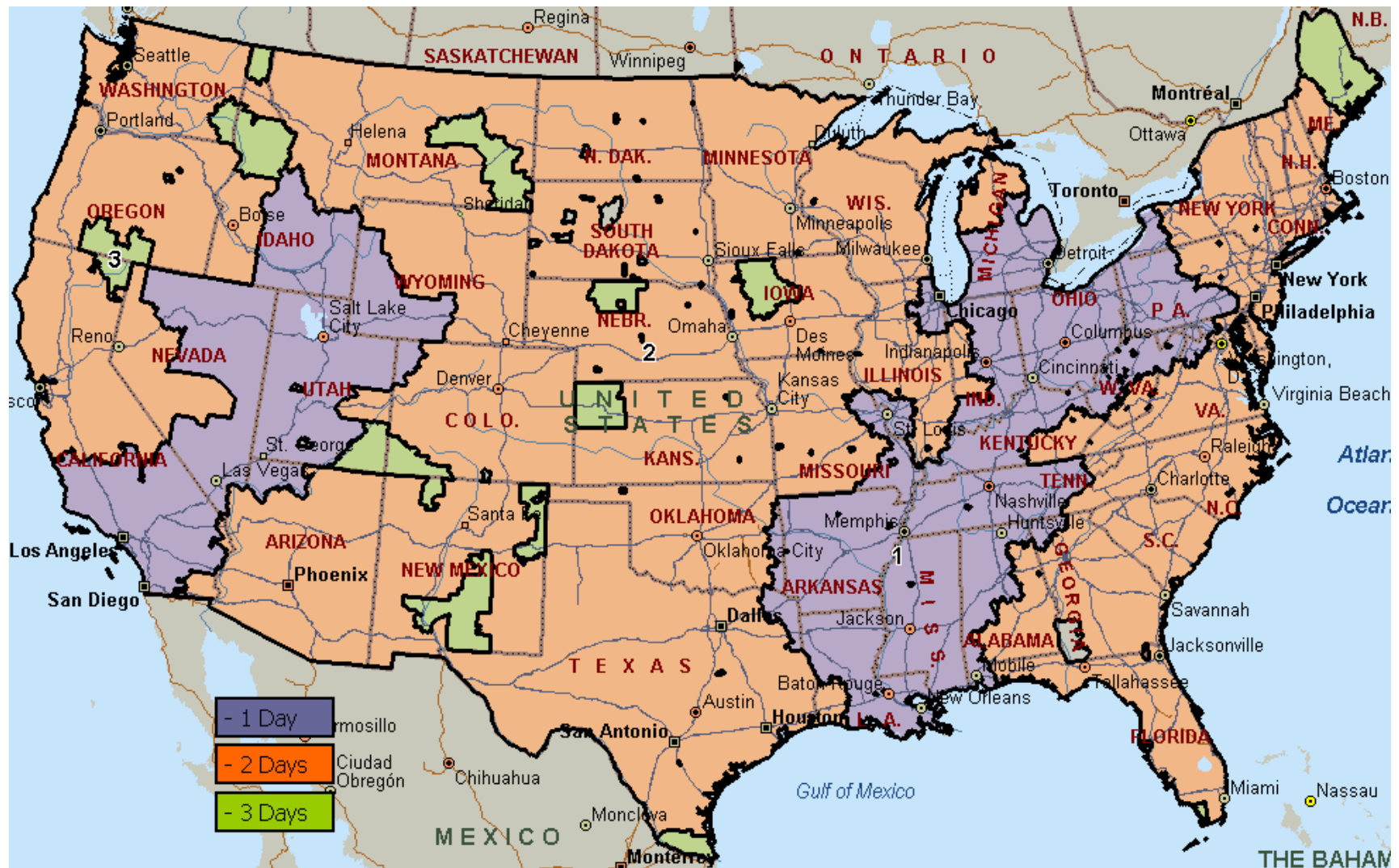
LA Branch maintained to support specific market requirements



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3 Facility Network – Delivery Days

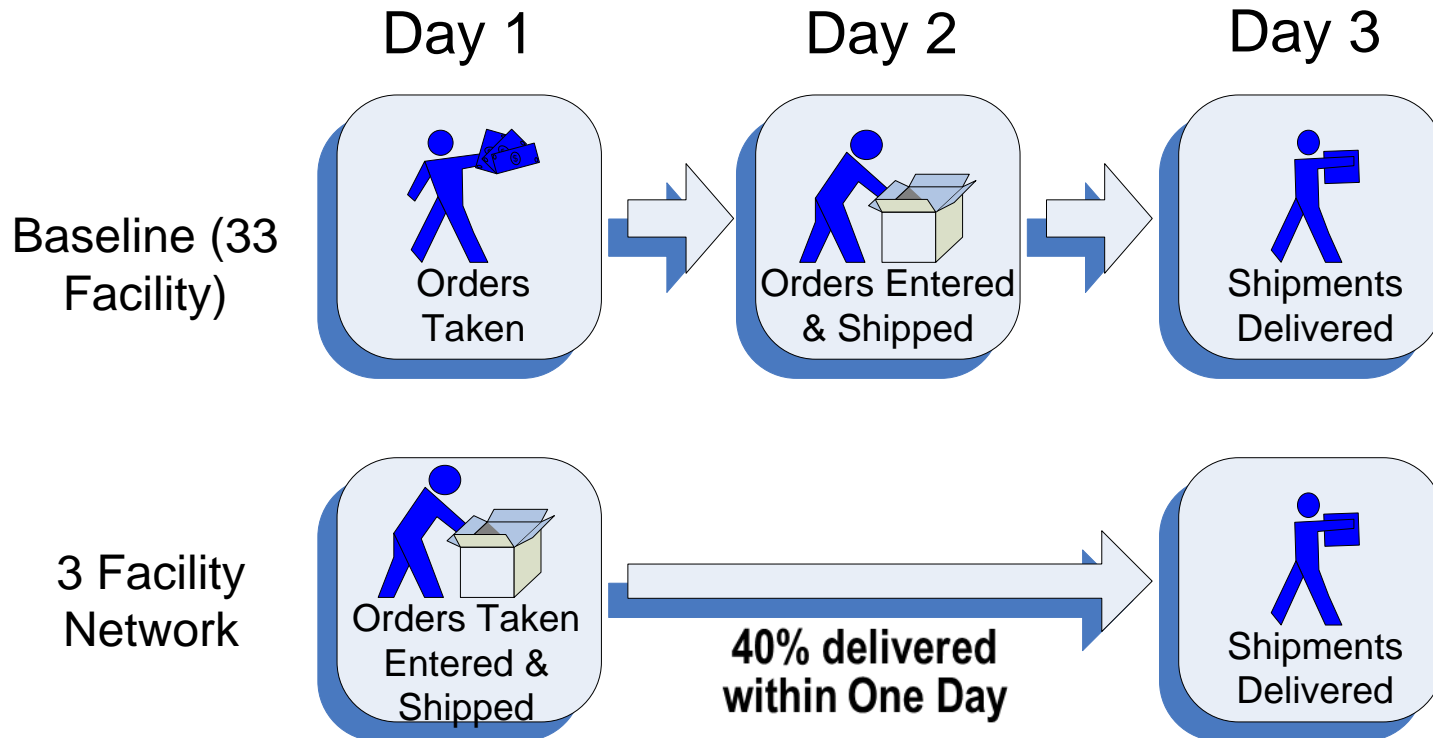
Shipments - 40% in 1 day and 97% in 2 days



Strategy – Recommendations

- Maintain / improve order to delivery cycle while improving fill rates

Order to Delivery Cycle



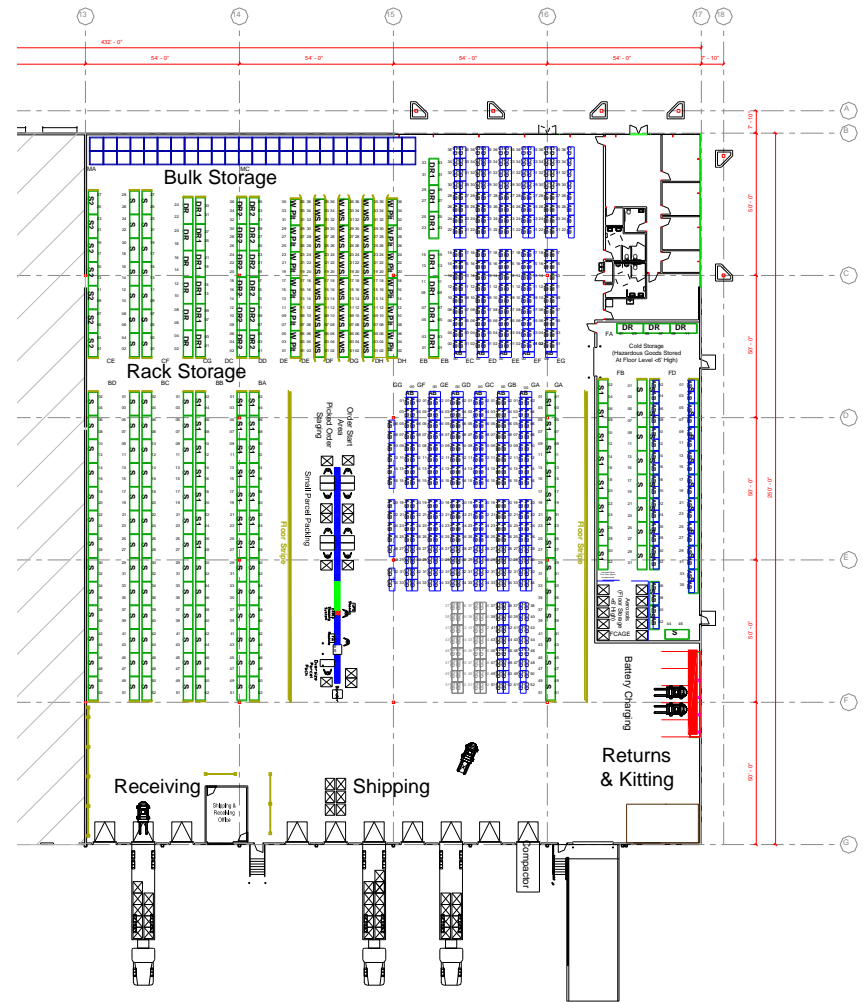
Design and Implementation

- 6 months to complete detailed design & facility/systems prep
- 15 months to roll in all branches

Activity	2010							2011												2012		
	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M
Network Process Design																						
Communications Plan	█																					
Overall Network Design & Transition	█																					
DRP/Inventory Mgmt & Financial Struct.	█	█	█																			
Sales Reorg & Sales Tool Design	█	█	█																			
MTS Organization Design		█	█	█																		
Systems and Facility Implementation																						
Functional Design				█	█																	
Enhancements / Purchases				█	█	█																
Equipment and Process Installation & Testing					█	█	█															
Training & Start-up						█	█															
Communications																						
Meetings with Branch Managers		█	█																			
Group Meetings with Sales Personnel			█	█	█																	
Initial Communications to Customers					█																	
Review of Impact with Sales Personnel						█																
On-Going Internal & External Communication							█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
3 DC Facility Roll-out Schedule																						
Regional Facility Start-up						1					1				1							
Branches Consolidated into Akron						1	1		2	2		1	1	1	1	1						
Branches Consolidated into Memphis											1	1	1	1			1	1	1	1	1	1
Branches Consolidated into SLC															1	1	1	2	1	1	2	2

Design of Network Components

- Design 2 new DCs, Redesign Akron DC to handle direct shipments
- Detailed design document
- Define new Inventory management functionality
- Revamp Sales & Distribution organizations
- Define implementation / transition plan
- Finalize financials / set budgets



Implementation / Transition

- Customer/Market and Internal communication
- Facility lease arrangements / sell owned facilities
- HR Staff realignment
- Develop ERP enhancements, Match system to business requirements
- Configure ERP systems rules and data, Setup warehouse
- Install Material Handling Equipment (MHE)
- Test & Train
- Validate Systems, Equipment & Process functionality, train key resources
- Begin the inventory moves

Implementation – Risk Mitigation

- Phased roll-out; proven systems and processes before next go-live, all but eliminate Customer shipment risk
- Physically remain in existing Akron facility location, eliminating significant product moves.
- In the beginning, selectively choose branches having least change to customers
- Retain product and company knowledge of existing Management and Hourly workforce for initial start-up
- No moves scheduled for end of month periods
- Strong design and implementation team
- Collect and monitor KPI, adjust immediately

Project Organization - Implementation

Steering Committee

T. Smith, R. Nunez, M. Pallotta, E. Williams

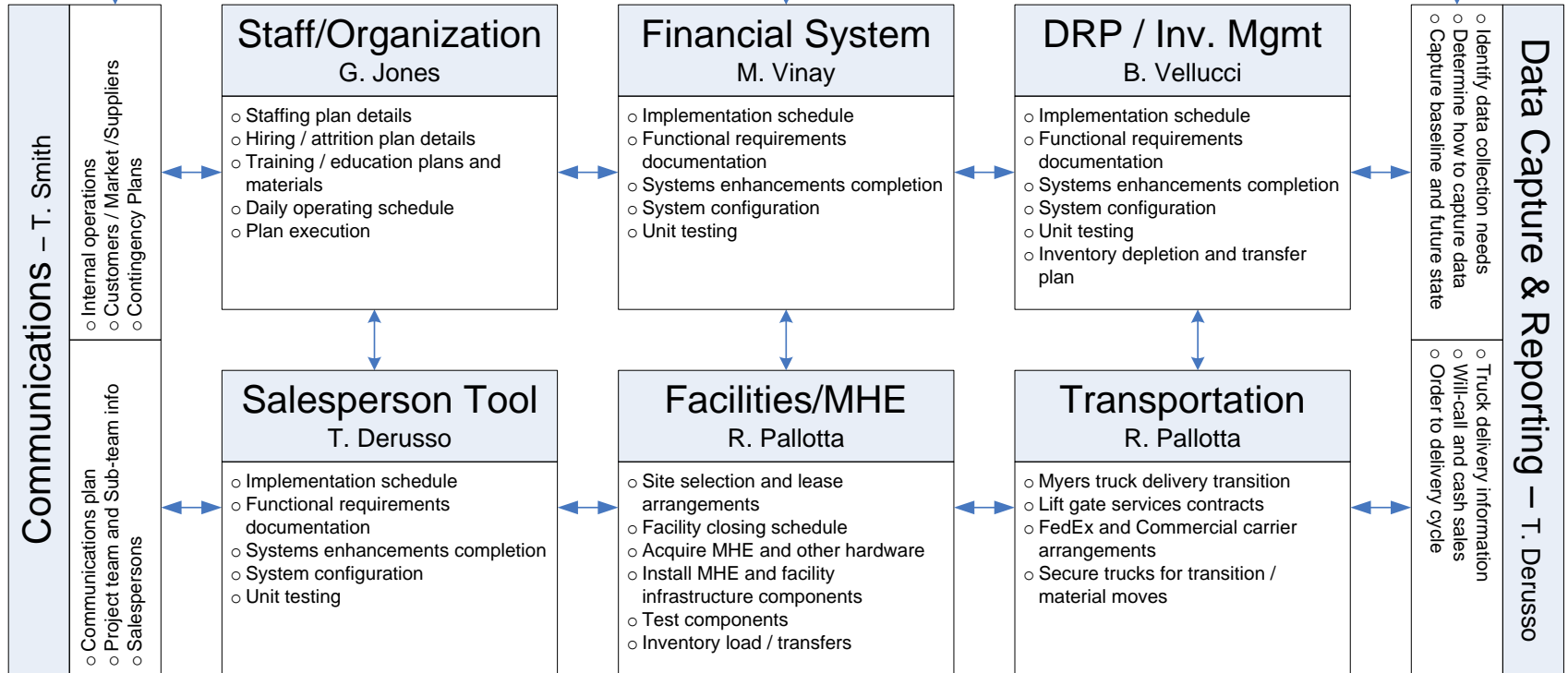
M. Kaiser – Project Lead
 J. Cook – Project Management

T. Derusso, G. Jones, D. Nauert, R. Pallotta, D. Swaisgood, B. Vellucci, M. Vinay

Project Management Committee:

- Scope
- Schedule / Transition
- Budget (Entries, Tracking & Summaries)
- Risk Management

Implementation Sub Teams



Business Model Change - Results

Akron DC + 33 branches

420,000SF

Avg. 1,000 SKUs/branch



3 DCs + LA branch

190,000SF

Avg. 5,000 SKUs/DC

77% Fill Rates

38% same-day shipping

38% 1 day, 69% 2 days



99% Fill Rates

98% same-day shipping

40% 1 day, 97% 2 days

Operating expenses SG&A

Network Inventory

Company owned facilities



\$3mm reduction

\$4mm reduction

\$1 million

Business Model Change - Results

- Invest inventory and operating expense reductions in new sales strategies and product introductions
- More distribution flexibility – more quickly and efficiently react to business / market changes
- Simplified supply chain allowing for increased management control
- Shorter overall distribution cycle improving billing cycle
- Better position the business for a competitive market & growth
- Better leverage our resources to support a sales organization positioned for growth

Awareness / Risks

- Implementation and ongoing management systems / processes to control centralized inventory management
- Impact of local inventory / facility presence
- Controlling impact of competitor propaganda and market perception while closing facilities
- Change to Will Call/Customer Pick-up business
- Impact of the business change on Myers personnel

Questions and Answers

For More Information:

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