

DC SOLUTIONS



By Leslie Hansen Harps

Change is Good Medicine For Kohl & Frisch

**Kohl & Frisch
transforms its
distribution center
with advanced
technology
and new processes –
all while
experiencing
double-digit growth.**

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Inbound Logistics,
5 Penn Plaza, NY, NY, 10001
Tel: (212) 629-1563
Fax: (212) 629-1565
www.inboundlogistics.com

Logistics and customer service innovations are a way of life for Kohl & Frisch Limited, a privately-held pharmaceuticals, health and beauty products distributor headquartered in Toronto. For example, the company pioneered same-day delivery of pharmaceutical orders to Toronto-area retailers about 10 years ago, says Ron Frisch, president, CEO, and managing director of the family-run business.

Kohl & Frisch's recent revamping of its Toronto distribution center took innovation to a new level for the 87-year-old company. The ambitious two-year initiative enabled Kohl & Frisch to move pharmaceutical operations from a dedicated facility about 12 miles away into its main DC; implement an advanced warehouse management system and new radio frequency and order picking technology; reengineer processes; and convert from manual to paperless operations, all while experiencing double-digit growth.

Change Without Pain

The initiative, which began in 2000, had to be transparent to customers. "We absolutely had to avoid downtime with customers at all costs," Frisch notes. "It was paramount that we

not inconvenience our customers or have them experience a lower performance standard."

Kohl & Frisch brought in KOM International, a supply chain consulting firm based in Montreal that it had worked with since the 1980s. Allan Kohl, KOM senior partner, conducted a study that considered Kohl & Frisch's five-year growth plan as well as its desire to consolidate pharmaceutical operations in the company's Health and Beauty Aids/Over-the-Counter (HBA/OTC) distribution center. The study also looked at how different technologies could enhance DC operations.

Building a Team

"The review kept expanding as we looked at industry best practices and evaluated technologies," recalls Maria Castro, K&F's executive vice president.

A multidisciplinary project team was formed, headed up by K&F Director of Operations Eon Korzen. Every department was represented.

"We had our directors of finance, inventory management, information technology, human resources, sales, and manufacturer relations as well as the warehouse manager," Castro explains. Working with them were representatives

from receiving, inventory control, replenishment, picking, and shipping.

CEO Ron Frisch made sure the project team had the resources it needed, bringing in additional KOM consultants plus an experienced manager from another K&F location to supplement the Toronto team.

“It was a little more expensive for the company,” Frisch notes, but the additional support prevented K&F from compromising its ability to serve customers. “We knew if we had to spend a little more to make for a smoother transition and less wear and tear on the people here, the project would come off better,” he says.

An executive steering committee was formed, including Ron Frisch, Chairman Harvey Frisch, Maria Castro, and Allan Kohl. “The steering committee met every week to review

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nothing could be overlooked,” Kohl says.

Selecting the Systems

K&F’s main distribution center in Toronto was a traditional paper-based operation. The HBA/OTC side is a very mechanized installation with conventional order picking -- orders are picked to a non-powered conveyor, then move via a powered takeaway conveyor to a sortation system that segregates orders by route. As the project team explored ways of consolidating pharmaceutical operations into the main DC, it became

six WMS vendors were brought in for demos and discussions. Minimizing modifications to the core WMS was a top priority for the project team.

“We went over each line of functionality that we had requested, to ensure that what we were looking for could be handled with the vendor’s base system,” Kohl explains.

The team toured sites where finalist systems were installed, discussing with the operators their implementation experience, type of support received from the system vendor, and difficulties encountered and overcome.

One vendor stood out as having a system with appropriate functionality -- such as control of lot numbers and expiration dates -- that had proven successful for other pharmaceutical distributors. In addition, “we felt it had the project team experience that would integrate best with K&F,” Korzen says.

The system winner: Intrepa’s LogisticsPro (now owned by Manhattan Associates), which integrates both warehouse and transportation management capabilities.

■ **RF technology.** The WMS vendor’s hardware division identified three RF equipment vendors they felt would integrate well with their system. The project team evaluated the equipment, giving samples to the warehouse staff to try out. Ultimately, K&F ordered more than 80 RF scanners from Teklogix.

■ **Order picking technology.** The project team looked at different order picking methods, including conventional order picking (picking from shelving or flow or pallet racks),



By revamping its DC, Kohl & Frisch consolidated operations, improved order cycle times, and increased picking productivity, while handling 300-percent volume increases

the progress of the project team,” Kohl says. “Deliverables were documented as part of a critical path program; everyone was responsible for those deliverables.”

Recognizing the magnitude of the project, the team treated it “like a strategic military maneuver, so that

clear that an advanced warehouse management system, radio frequency, and automated order-picking technology would be key components.

■ **Warehouse management system.** After the project team sent out a detailed functionality requirement,

pick-to-light, carousels, and A-frames. Once the A-frame option was selected, the project team considered three potential vendors.

After visiting a number of installations and evaluating vendors' track records in the pharmaceutical industry, the team selected technology from PEEM, an Austrian company at the time, which has been since acquired by SSI Schaefer Systems International. The A-frame, used for picking 20 percent of SKUs that account for up to 80 percent of the pharmaceutical volume, is capable of handling as many as 1,200 orders and 54,000 picks per hour.

Making the Change

Changes were made in the DC in phases, with the WMS and RF implemented first. "We made a conscious decision to implement the WMS in phases," Ron Frisch recalls.

The first step was to implement the WMS in the non-pharmaceutical areas of the DC. "We looked at risk — if we were going to have any shortcomings at all, we'd rather have them with less essential product," Frisch says. "If a store is out of toothpaste for a few days, it's not the same as if they're out of Lipitor." Phasing in the WMS enabled K&F to smooth out the bumps before transitioning in its pharmaceutical business.

K&F developed an extensive two-part training program to help its workforce get comfortable with and learn how to operate the new technology. First, trainers worked with supervisors in a test environment in the DC. Then the supervisors took ownership, providing hands-on training to warehouse workers.

While "there was some initial hesitation and fear," Castro recalls, probably because of the multiple layers of change that were

being implemented, associates today are happy with the new technology.

While the technology was evaluated, and training and testing completed, the distribution center was redesigned and reconfigured to accommodate the pharmaceutical business. The first step involved clearing out an area of approximately 30,000 square feet to house the Rx operations.

"Rx is typically small physically but very complex operationally," Allan Kohl notes. The pharmaceutical area of the DC was sealed off with fences. Air conditioning and a large vault for restricted product and narcotics were installed, and conveyor systems were reconfigured.

In the rest of the warehouse, "we had to reslot a good part of the layout to consolidate some of the pick line," explains Kohl. This involved expanding pick lines to accommodate the reduction of aisles for some product. In addition, sortation systems in the full case area were reconfigured.

Keeping the Beat

Kohl & Frisch planned very carefully to ensure that it didn't miss a

beat when the pharmaceutical business was consolidated into the Toronto DC. "Because our product is so critical, and we were so dedicated to the move being totally transparent to customers, we considered and planned for every contingency," Eon Korzen explains.

The dedicated Rx facility, located about 12 miles away, was kept fully functioning until after the move. Setup, staffing, and management of the existing facility were duplicated in the new facility for start-up.

"On D-Day, we had two fully operational facilities and either could have handled the entire volume if necessary," Korzen says. "If anything happened, we could have fallen back to the old building to fulfill orders that we couldn't fulfill in the new building."

K&F worked with its trading partners to ensure seamless service during the transition. "We partnered with the manufacturing community, and asked for their support," recalls Maria Castro. In addition, "we were very open with our customers. We did briefings with our key primary customers, and reported to them before and during every phase," she says.

The pharmaceutical business was consolidated seamlessly. Today, "we provide up to 11 deliveries per week per store in the greater Toronto area," Korzen says.

The revamped distribution center enables Kohl & Frisch to pick, pack, and ship orders received by noon during the week and deliver them to stores between 2:30 and 6 p.m. the same day.

Picking productivity has increased from 40 to 150 lines per hour, with picking accuracy maintained or improved. Order cycle time has improved for same-day prescription orders, and the new layout is capable of supporting volume increases of up to 300 percent.

"We have met and exceeded our productivity goals, and have continually improved," Korzen says.

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