

Keeping on top of things

Company designs supply chains for everyone from jet-makers to grocers

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GAZETTE

To most people, the latest compact disc featuring some teenage heart-throb has nothing in common with a leading heart medication. But to Jim MacRae and Allan Kohl, they do.

Neither discs nor drugs can tolerate a “temporarily out of stock” sign and it’s their job to see that sign is never used.

MacRae and Kohl are, respectively, president and senior partner of **Kom International**, a Montreal-based consulting firm that has spent the past 40 years building up a reputation as experts in warehouses, distribution centres and delivery systems. Practice makes perfect.

And at a time when companies are trying to tightly control all their costs, they no longer view distribution as a necessary evil. They want Kom’s

level of perfection.

The urgency of having drugs in stock is self-evident. But for a music store, not having the latest CDs can also be deadly. The kids won’t wait, they’ll find it somewhere else.

MacRae and Kohl can also ensure that groceries don’t spoil, clothing doesn’t go out of season or style while sitting in the manufacturer’s warehouse and there’s no **Bombardier** regional jets gathering dust on the tarmac waiting for parts.

The logistics of getting so many items so many places so fast might seem mind-boggling, but MacRae and Kohl are calm, upbeat men.

“A company might have to deal with changes to its distribution centre every five, 10 or 15 years,” MacRae said. It’s not an area in which most businesses have a lot of expertise. Yet they are being forced to pay attention.

Right now, Wall St. is putting pressure on retailers to get more money out of mature markets. So there’s been a



Allan Kohl (left) and Jim MacRae of Kom International designed this warehouse for Avmor Group, which sells cleaning products. The company can pack in a lot of goods, but still get to key products quickly.

Getting Ahead

- Distribution is now seen as a key element of cost reduction, and Kom says it can cut a company’s costs by 15%
- Solutions the company finds in one industry or country can often be applied to another
- Kom started in grocery-delivery systems, which are among the most complicated, because of the number of items involved and the fact that so of those items are perishable

rash of mergers and acquisitions. The big guys are getting more economies of scale, and little guys have to keep pace.

“Up until recently, distribution was a necessary evil and businesses concentrated their efforts on marketing and manufacturing,” MacRae said.

But with transportation and handling adding as much as 20 per cent to the cost of a product, he said, distribution is now seen as a key element of cost reduction.

REWRITES THE RULES

And **Wal-Mart** has rewritten the rule book, MacRae said, with its innovative approach to moving goods quickly and getting the right stock to the right stores. It does detailed profiles of all its stores, he said, and if the outlet’s customers are portly, it gets more large sizes.

As a result, competitors also have to manage their stock better, and little companies wanting to sell to Wal-Mart have to be just as efficient.

“Did you know that 50 per cent of the delivery cost comes in the last 50 feet?”

Senior Partner Allan Kohl

Wal-Mart is not alone in closely tracking what buyers’ want. MacRae said one retailer in London, England, checks weather reports. If it’s going to rain the next day, it moves the warm-weather clothes out of the way and brings in raincoats and umbrellas. The Dutch constantly watch the weather, too, he said. If it’s turning warm, the stores need beer.

Which is why Kom has grown from an adviser to grocery stores into an international consulting firm with revenues ranging annually from \$8 million to \$12 million.

By closely studying a company’s delivery operation against industry benchmarks, looking at alternatives, providing detailed warehouse and material-handling-systems layouts, recommending equipment and software, and staying with the project until the distribution system

is up and running, Kom can cut a company’s costs by 15 per cent.

Or save it the cost of expanding its warehouse by rearranging things or adding new technology, Kohl said. Or by pointing things out that a retailer might not know.

“Did you know that 50 per cent of the delivery cost comes in the last 50 feet?” Kohl asked. That’s when the product is turned over to store employees, he said, and labour is expensive. In big retail chains as many as 20,000 people might have to handle those goods, he said, so they better arrive user-friendly.

Mattie Chinks, president of **Avmor Group**, hired Kom when the company - which distributes cleaning supplies - moved from an old warehouse to a modern one in Laval. “Delivery systems are of the utmost importance,” he said, goods must be delivered in a timely manner at the lowest possible cost. Avmor Group

‘HELD OUR HAND’

“They were very patient, they held our hand,” he said, and helped the company pack in a lot of goods, but still be able to get to key products quickly.

There are common threads in just about all warehousing and delivery systems, which is why Kom’s client list can range from grocery stores to aircraft manufacturers, from clothing makers to pulp-and-paper producers, from paint companies to Canadian National Archives.

The diversity of the clientele makes the job fun, said MacRae, who began his career as a chemist, but worked his way through a number of jobs into supply-side management.

The job can also be a bit exotic. About 40 per cent of Kom’s business is in the U.S., about 30 per cent in Europe, 10 per cent in Canada and the remainder in Asia and South America. “I was in Thailand 10 times in two months,” said Kohl, a mechanical engineer.

The solutions it finds in one industry or country can often be applied to another. Discs and drugs are a case in point, said Kohl, a senior partner. A major drug-distribution centre in Toronto was grappling with the problem of ensuring that orders it received at 5 p.m.

made it to the pharmacy by opening time the next day. If the pharmacy is in the city, it’s not a problem, he said, because the company uses night crews. But to get the drugs to other areas of the province, the order has to be in the courier’s hands by 7 p.m.

Kom solved the problem with an automated-picking machine that can pick items from a lineup of 1,000 at a rate of three items per second. It’s a system designed for the music industry, which has to be fast: it must get new releases to every store in Canada by the same time.

Though it has a mixed clientele now, Kom grew out of the food industry.

KOM GOT ITS START IN THE FOOD INDUSTRY

It was founded in 1962 as Sydney Kom&Associates. Kom had been vice-president (distribution) for the now defunct Steinberg grocery chain and had amassed an international reputation for innovation, Kohl said.

Grocery-delivery systems are among the most complicated, he said, because of the number of items involved and the fact that so many of those items are perishable. Kom was able to draw on the efficiency developed in North America and the speed needed in Europe, where grocery stores tend to be smaller, but serve huge numbers and must restock constantly.

Kom died in 1977, and Kohl and three partners bought the firm, changing its name to Kom International. And while grocery stores still account for 40 per cent of its business, its clientele is diverse, ranging in size from small players with \$20,000 in annual sales to huge players with billions in sales like the European supermarket chains **J. Sainsbury PLC** in Britain and **Albert Heijn** in Holland, **Alcan**, **Bombardier Inc.**, **Merck Frosst**, and **Hershey Canada**

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