

## Kirkland's: Consolidate and integrate

**By consolidating three warehouses into one and eliminating manual systems, the retailer moves the latest home furnishings into stores more efficiently than ever.**

*By Staff -- Modern Materials Handling, 3/1/2006*

New is what home décor retailer Kirkland's is all about. "At any time, 70% of the SKUs [stock keeping units] in our DC are new items," says Todd Weier, vice president of logistics.

The retailer offers the latest styles in furniture, lamps and framed art as well as other decorating accents.

While that has made Kirkland's a trendy place to shop, it also created some tough materials handling challenges for the Jackson, Tenn., retailer. It shipped product from three manual warehouses with 650,000 square feet to more than 300 stores in 37 states.

"We didn't have a WMS [warehouse management system] or any mechanized equipment to manage and move inventory," says Weier.

All that has changed since Kirkland's consolidated the three warehouses into a single 770,000 square foot DC. It used to take three days to pick a single SKU for all stores. Now, that can be done in a day.

That change has had a strong impact on retail stores. Before, each store had its own mini-warehouses of 500 to 5,000 square feet. Now, almost all of those satellite facilities have been eliminated, resulting in more inventory than ever arriving at stores directly from the DC. In addition, distribution productivity has improved considerably. Throughput by shift has increased 40%. Last year's peak shipments to stores for the holiday season moved from August to November.

And to top it all off, the cost of handling inventory dropped 14% in last year's fourth quarter compared to the same period one year earlier. At its best, unit cost dropped 30% for one week in 2004, says Weier.



### Facing challenges

As Robert Hyde, director of distribution and warehousing, explains, the old system was maxxed out. "We were at the point of diminishing returns," explains Hyde. "We were great at throwing people at the problem. But it got to a point where the more people we threw at it, the less efficient we became."

To complicate matters, Kirkland's continues to grow 20% a year, even with more than 300 stores. A review of the situation led to three priorities: a new, central DC, a warehouse management system and materials handling mechanization.

The new DC was put in the chain's homebase of Jackson, Tenn. But, the other two objectives were much more challenging.

The old inventory management system was paper based. Along with Hyde and Weier, distribution center manager Steve Horn had concerns about how easily people would adapt to the new mechanized system. After all, they had never picked orders by scanning bar codes, following directions from a WMS and communicating in real time with wireless computers.

"Their mindset was very low tech. But with about six weeks of training prior to moving into the new DC, people caught on," says Horn.

While people were quick to catch on to use of the hardware, they at first did not understand how processes had changed. For instance, Horn says they would put away pallets without scanning bar codes on them and then didn't realize that the inventory was both lost in the DC and invisible to the WMS.

The third step was the move to conveyors, sortation and stand-up reach trucks. The new trucks were delivered six months before the move to give workers a chance to get used to them, says Weier.

But initially, the bigger challenge was the addition of conveyors and sortation systems (Intelligrated). And it was a challenge to both the warehouse management team and workers.

As Weier explains, top management thought the new equipment was "one bridge too far" in terms of changes that could be managed successfully. The plan was to add that equipment after the DC was running for a year. However, when top management heard the plan, they viewed the new equipment as much less complex and costly than originally thought.

There was, however, a bit more of a hurdle for the people on the warehouse floor—pace. When combined with the WMS and wireless computers, the conveyors and sortation equipment considerably picked up the speed. "All of a sudden people started to understand the importance of minutes in picking, moving and shipping product. That was not the case before," says Weier.

That said, there is much more confidence in the DC's ability to support stores today. While 30,000 cases was considered maximum throughput with three DCs, the new facility had a day of 45,000 carton throughput late last year. An average day now is 30,000 cases. In addition, order accuracy is now 99.79%, up from 97%.

"There's more that we can do to maximize the efficiency of this facility, and we're already working toward that," says Weier.

### System Suppliers

**Conveyor, sortation systems and related controls:**  
Intelligrated, 866-936-7300, [www.intelligrated.com](http://www.intelligrated.com)

**System design:**  
Sedlak, 216-206-4700, [www.jasedlak.com](http://www.jasedlak.com)

**Warehouse management system:**

**HighJump Software**, a 3M Co., 952-947-4088, [www.highjumpsoftware.com](http://www.highjumpsoftware.com)

**Reach trucks:**

**Raymond Corp.**, 800-235-7200, [www.raymondcorp.com](http://www.raymondcorp.com)

**Rack:**

**Wireway/Husky**, 800-438-5629, [www.wirewayhusky.com](http://www.wirewayhusky.com)

**Wireless computers with scanners:**

**Symbol**, 800-722-6234, [www.symbol.com](http://www.symbol.com)

**Fixed-position scanners:**

**Sick**, 800-325-7425, [www.sick.de](http://www.sick.de)

**Thermal transfer printers:**

**Intermec**, 800-934-3163, [www.intermec.com](http://www.intermec.com)



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